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FBIS-EEU-94-163 *23 August 1994*

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FRY Supports UNHCR Refugee Information Plan

LD1808193394 Belgrade TANJUG in English 1504 GMT 18 Aug 94

["Pool" item]

[Text] Geneva, Aug. 18 (TANJUG)—Yugoslavia on Thursday supported a United Nations plan for an information system to help the return home of refugees from the former Yugoslav Republic of Bosnia-Herzegovina.

Serbia's commissioner for refugees, Bratislava Morina, endorsed the U.N. High Commissioner for Refugees' plan for the information system in her capacity as head of a Yugoslav delegation in Geneva.

The Yugoslav delegation was participating in the work of the expert group for humanitarian issues of the international conference on the former Yugoslavia.

The delegation has been functioning freely under the name of Yugoslavia on equal terms as delegations from former Yugoslav republics and other states that have accepted refugees from the former Bosnia-Herzegovina.

There are more than 400,000 registered refugees in Serbia, of which about 200,000 are children or youths and 1,200 are children separated from their parents.

Bosnian Muslim delegation head Mustafa Bjedic sharply criticized the UNHCR plan, saying the plan was yet another way to multiply the U.N. bureaucratic apparatus where he said many receive wages for nothing."

Slovak President on Progress of Alpbach Talks

LD2208131794 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1000 GMT 22 Aug 94

[Report by correspondent Agata Stanekova on the presidential summit in Alpbach, Austria]

[Excerpts] [Stanekova] [passage omitted] Slovak President Michal Kovac met Czech President Vaclav Havel. The two presidents discussed four main issues: domestic politics, the Bojnice altarpiece, artifacts of Slovak origin, and participation in the commemoration of the Slovak national uprising.

After that, the president held talks with Slovenian President Milan Kucan and Italian President Oscar Luigi Scalfaro. [passage omitted]

Kovac's working day started today with breakfast with Hungarian President Arpad Goncz. We asked Slovak President Michal Kovac to assess the talks held so far.

[Begin Kovac recording] We agreed on certain things, in some cases on concrete dates. I was interested to learn about the presidents' participation in the celebrations of the 50th anniversary of the Slovak national uprising. We have agreed that the presidents: Mr. Goncz, Mr. Havel, and Mr. Kucan are ready to take part. They have already confirmed it in writing. We hope that except for health reasons nothing should intervene in their participation.

We also agreed that it would be nice if Polish President Lech Walesa could take part as well. All of us said that we were interested in meeting. We hope that President Walesa will be able to make his last-minute arrangements to be able to come and take part in the celebrations. That was the main point of our bilateral talks since this is not some kind of a more extensive summary of our relations.

The talks with President Goncz were an exception since we had to discuss certain topical issues in our mutual relations, as well as some problems that present difficulties in these relations. However, the core of the talks concentrated on what is the best date for my visit to Hungary.

I think that President Goncz, who is interested in this visit taking place as soon as possible, has come to understand that this visit will be of great importance if it takes place after the new Slovak Government has taken office after the elections, its manifesto has been approved, and the government has been given the vote of confidence. [end recording]

[Stanekova] Kovac went on to specifically underline the need for good relations between the heads of states since even the more difficult and complex problems can then be solved more easily and with more trust. He said that this was why it was vitally important to both Slovakia and Hungary that their relations were in order. This would result in international support as well.

The possibility of opening two border crossings was also mentioned during the talks held by the two presidents. The first crossing, Salka-Letkes, is to be opened on Goncz's return from Banska Bystrica. The border crossing in Velky Kamenec will open after Kovac's return from his visit to Hungary. [passage omitted]

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Foreign Ministry Protests Greek Provocation

LD2208200194 Tirana Radio Tirana in English 1800 GMT 22 Aug 94

[Text] Sunday morning at six or seven a.m., a Greek plane coming from Corfu island violated the Albanian air spaces and before leaving the Albanian territory dropped some leaflets pictured with a Greek flag and appealing for the overthrow of the regime in Albania.

Concerning this event the Albanian Government, through its Ministry of Foreign Affairs, released a note addressed to the Greek Government by which it protest against this act which is pointed out is not the only one. It considers it as a heavy provocation against the integrity of our country, a brutal violation of its sovereignty, conflicting (?with) the elementary norms which regulate the relations between the independent states, the UN Charter, and the principles of Helsinki charter.

The Albanian Government considers it as a premeditated act. The leaflets containing the Greek flag and the provocative calls testify to this. The Greek Government bears full responsibility of these acts and all the consequences resulting from them, (?ends) the note of protest of the Albanian Ministry of Foreign Affairs.

Berisha: Ready to Reply

LD2208200794 Tirana Radio Tirana in English 1800 GMT 22 Aug 94

[Text] Albania is ready to give a merited reply to all the provocations which would come from the Greek territory but Greece will be charged of responsibility for them, stated the Albanian President Sali Berisha.

The violation of the airspace of Albania by a Greek plane taken off from the airports of Greece and the dropping of the leaflets appealing for the overthrow of the existing state power in Albania, constitute a serious provocation, a shameful premeditating act and an adoption of the cold war methods by the Greece toward Albania.

I would like to invite the Greek Government and political forces of Greece to condemn the hostile and absurd acts of this kind and to analyze with maturity the relations with Albania and to positively reply to our invitation for a dialogue so that our relations emerge from the crisis, President Berisha said.

I would also like to let the Greek Government know that Albania is ready to give the merited reply to all the provocations that will come from the Greek territory, for which Greece will be blamed, says the statement of the Albanian President Sali Berisha in conclusion.

Appeal for Pressure

LD2208201294 Tirana Radio Tirana in English 1800 GMT 22 Aug 94

[Text] Albania addressed to all the international organisms, the leaders of the European Union member states, especially its presidency, to make pressure on the Greek Government to put an end to the massive expulsion of the Albanian refugees and (?their maltreatment acts) which sometime exceed to brutal ones.

The Albanian Foreign Minister Alfred Serreqi, in a statement points out that in response to the willingness of the Albanian Government to solve all the problems existing between both countries through dialogue, the Greek authorities in the course of their threatening statements have undertaken recently the massive expulsion of the Albanian refugees working in Greece by maltreating, killing, and wounding them.

It is a sign of revenge to the trial of the five Albanian citizens of Greek origin which is taking place as an [word indistinct] process in conformity with all the international norms. A part of these people have been supplied with regular documents issued by the Greek authorities.

Special Greek police patrols open fire without warning against the innocent Albanian citizens in the streets of Athens and other Greek cities, sometimes breaking (?in) their homes and killing them.

All these brutal acts, together with a massive expulsion of the economic refugees from Albania, conflict the basic principles of the democracy and the judicial state.

These acts of revenge by the Greek Government, simultaneous with the mounting of the Serb repression in Kosovo, testify to the joint Serbo-Greek strategy to increase the tension in the region and to destabilize the south of the Balkan, (?ends) the statement of the Albanian Foreign Minister Alfred Serreqi.

Young People Surveyed About Attitudes, Prospects

AU1908202694 Tirana POPULLI PO in Albanian 17 Aug p 2

[Unattributed report: "Optimistic or Pessimistic? Believers or Atheists? In Democracy But Unprivileged. What Do They Fear Most? 350 Young People Respond"]

[Text] A survey by the Tirana-based "Eureka" independent center of sociological studies provides interesting data. Entitled "Albania, Youth, and Democracy," and carried out by Dr. Vasfi Baruti, it is an attempt to portray the mentality and preferences of Albanian youth and on what and where they differ. It involved 350 young people from the top class of high school and students of Tirana University, and provides data on the youth of the capital city, the country's most progressive young people. In this respect, it comes as no surprise that 80.5 percent of them said that they felt optimistic about the future. Such a figure, of course, has much to do in a rather complex way with their temperament and age. Meanwhile contradictions are in some cases obvious in the survey, but facts are uncompromising and the answers must be accepted as they really are. Thus, to the question, "is economic life better than five years ago," 60.4 percent answered "yes" at a time when, according

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to their answers, they do not have any family members living abroad. However this need not lead us to the conclusion that our economy and production have grown (as 60.4 percent of them claim, as opposed to the 11 percent who say that the state of the economy is worse than five years ago) for even the most enthusiastic politicians and economists could not admit such a thing. It is accepted in the meantime that only 31.5 percent of these young people have a passport to travel abroad, when 93.3 of them desire to travel. When asked about travelling abroad, it turns out that 29.2 percent would go there to seek work, 11 percent would stay abroad for good, 29.2 percent would like to travel as inquisitive visitors, and only 20 percent would like to go there to continue their studies. It is observed that as far as their preference regarding the countries they would like is concerned, the United States comes first with 25 percent, then Germany with 17.9 percent, and in third place Italy with 10.6 percent.

A good part of the survey covers politics, the place that democracy has in Albanian life, and party preferences. Here there is indifference towards politics among young people with only 40.5 percent of them entering into political discussions. However such a figure in Western countries would be considered rather high. But if we take into consideration this country's development and the traditional character of its people, this figure could be interpreted as tantamount to indifference. Asked if they believe in socialist values and ideals, 70.8 percent of them clearly answer no. This might sound a little paradoxical to a Western scholar, since in the West social equality and humanism, which are the pillars of socialist thought, are intimately connected to youth. But in the Albanian context, this is largely explained by the misinterpretation of party names and the communist legacy of the socialist representatives in this country. Of young people, 87 percent think that Albania is a democratic country, although 85.5 percent admit that it is an underdeveloped country. It may be yet another political paradox, because development and democracy as historical experiences go hand to hand, and it is difficult to accept that a democratic country could be underdeveloped or vice versa.

The young people are afraid. Unemployment is the most frightening prospect (55.1 percent), then comes criminality, poverty, street violence, and so on. Insecurity from drugs (17.8 percent), solitude (22.2), sexual abuse (22.2), etc., are also feared prospects. However, the interesting thing is that 67 percent of young people fear AIDS, although AIDS cases in Albania could be counted on the fingers of one hand. Anyhow, it is a very positive sign and the struggle against AIDS seems to have sensitized the youth.

Young people also recognize God's existence, with 88.6 percent believing in Him, though only 51.9 of them attend religious services. This is not too bad for a country that has been an atheistic country for 25 years.

The "Eureka" survey deals with other issues that preoccupy everyday Albanian life, where the worries and problems of youth are to the forefront. It seems, at last even in Albania, that these sociological studies and polls highlight and reveal the problems of all generations. Thus we could learn to know ourselves and one another better...

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Cuts in Border Troops Command Recommended

AU2308081494 Sofia Khorizont Radio Network in Bulgarian 1300 GMT 22 Aug 94

[Text] Minister of Internal Affairs Viktor Mikhaylov proposed to Colonel Georgi Teterekov, Border Troops commander, to retire almost 60 officers in order to observe the Armed Forces Law, our reporter Lyubomir Rozenshtayn learned from a well-informed source. Almost the entire leadership of the Border Troops Intelligence Department is among the officers whose retirement was proposed. Experts view this as an imprudent step against the background of the present situation in the Balkans.

According to sources in the Ministry of Internal Affairs, not a single officer of the Border Troops or the National Security Service has proposed the retirement of those services' chiefs.

Military Reaches End of Resources, As Planned

AU2308090594 Sofia TRUD in Bulgarian 17 Aug 94 p 1

[Unattributed commentary: "Provide Every Citizen With a Bullet"]

[Text] Finally something in the Bulgarian state has worked out exactly as it was planned by the government and approved by the National Assembly members!

Even in the planning of the draft budget it was envisaged that the Army should exhaust its financial resources by the end of the summer 1994, and that is what happened. The plan was even fulfilled ahead of schedule.

In a normal state the military would come out in the streets with their tanks under such circumstances. But, as a matter of fact, such things hardly ever happen in a normal state.

In Bulgaria the military are provided with torches from the foreign aid parcels, so that they may more easily cut up their tanks for secondary raw materials.

Hence, considering that in our country a coup takes place only when the tanks do not come, and because the Army is not like the Council of Ministers, whose members can afford to cook their food with vegetable oil worth 26 leva per liter, there is only one solution for the Army:

The generals should take crash courses in the Turkish language.

The colonels should be pensioned off.

The documents on dismissing the lieutenants should be signed.

The soldiers should be sent on unlimited leave.

If some bullets still remain and have not been stolen, they should be distributed to the citizens so that they can shoot themselves.

Videnov, Union Leader Discuss Price Policy

AU2208175694 Sofia Khorizont Radio Network in Bulgarian 1500 GMT 22 Aug 94

[Text] On 22 August, a meeting took place between Zhan Videnov, leader of the Bulgarian Socialist Party [BSP], and Krustyu Petkov, leader of the Confederation of Independent Trade Unions in Bulgaria [KNSB]. According to both leaders, the meeting was topical, useful, and exceptionally important. This is what they themselves said about the meeting:

[Begin Videnov recording] We had to exchange opinions about the socioeconomic situation in the country and the prospects of developments in this situation by the end of the year. We discussed the ability of the administration to cope with its problems. Our assessments of the situation in the sphere of prices and incomes coincided. The danger of an economic destabilization prompted by domestic and external causes was also discussed. [end recording]

[Begin Petkov recording] We discussed in a frank manner issues of the income and prices policy conducted by the present cabinet. If the economic situation and the present income policy continues, the KNSB should not support forming a new cabinet within the framework of the current parliament. [end recording]

GOR Head Tomov Plans New Political Alliance

AU2308080494 Sofia 24 CHASA in Bulgarian 12 Aug 94 p 10

[Interview with Aleksandur Tomov, leader of the Civic Alliance for the Republic, GOR, by Radina Filipova; place and date not given: "Zhan Videnov Prefers Filip Dimitrov to Aleksandur Tomov"]

[Text] [Filipova] Mr. Tomov, is it true you are not leaving Sofia during the vacation because you are preparing an alternative political force, and what is it?

[Tomov] It is true that this is why some of my colleagues and I are in Sofia. However, it is not a question of a new political force, but an alliance of broad strata of Bulgarian citizens from various political and public organizations who are trying to change politics, speed up the reforms, stabilize the economy, and fight the enormous corruption and high crime rate.

[Filipova] Was that not also the aim of GOR?

[Tomov] In only 10 months, GOR formed over 1,100 organizations throughout the country. In general terms, GOR has already completed the stage of initial organizational development. From the beginning of June we started a new stage, that of building up a broad civic alliance.

At present neither GOR, the BSP [Bulgarian Socialist Party], SDS [Union of Democratic Forces], nor anyone else can govern the country independently. Despite certain encouraging developments (mainly at the expense of heavy industry), the economy is in deep crisis: The banks

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are overwhelmed with bad debts, inflation is out of control, and the people are becoming drastically poorer. The situation can only be put right if an authoritative and stable government is established in the near future, one likely to stay in power for three or four years and capable of applying a completely different economic policy. Accordingly, the solution lies in an alliance of broad public forces on the basis of a common program, not outlived ideologies.

[Filipova] People still suspect you of wanting to help the BSP by gaining control of part of the center and then linking up with it.

[Tomov] I want to help the country, not the BSP, through a new economic policy, by curbing inflation, and making the mass of Bulgarians owners of the means of production. In their current state of terrible poverty and disillusionment, the majority of the population had two choices: either to build a broad left-of-center coalition that would undoubtedly win the majority of votes in the next elections, or to found an alternative political alliance to overcome the bipolar model. It seems to me that, as a result of the policies they have followed so far, the BSP leaders have lost the first of these possibilities, which only leaves the second open.

[Filipova] Why do you think the left-of-center coalition has no chance?

[Tomov] Several times in recent months I proposed talks to Zhan Videnov, and he consistently declined. Arrogance, unmastered youthful pride, and jealousy are not good counselors in politics.

Another thing is that evidently the BSP is defending the bipolar model and wants to impose its own views independently, without serious allies, or with allies subordinated to it. In 1994 it has become clear that Zhan Videnov prefers Filip Dimitrov as a partner in public dialogue to Aleksandur Tomov. This is a repetition of the politics of the summer of 1991, when the centrists gave their all for the Constitution and later were tricked by the colored ballot papers, which helped the SDS and BSP. It is clear that Videnov considers this line correct even now, but he should remember the saying: "Once bitten, twice shy."

[Filipova] Are you sure the BSP will not win the elections by following precisely this policy?

[Tomov] In my view, this is a delusion. The more the BSP and SDS are reluctant to change their policies and offer a hand to the center, instead of trying to subject it to their control, the greater are the chances for an alternative political alliance. Bulgaria cannot be successfully governed by 25 percent of the electorate, even when this produces 40 percent of the seats in parliament. For the BSP, the big conflict will come when it tries to take power. Then everyone will see that the deluded ideas with which the present BSP leadership came to power at the end of 1991 died a long time ago.

[Filipova] Is an alliance between GOR, the BSDP [Bulgarian Social Democratic Party], and the Green Party sufficient to form an alternative political force?

[Tomov] I believe that without a GOR-BSDP alliance no left-of- center coalition in Bulgaria will be effective and comprehensive enough. In Hungary, Gyula Horn split the former Hungarian Socialist Workers Party, purged his party of neocommunists, and deservedly won the elections with an absolutely clear social-democratic platform.

Aleksander Kwasniewski united the left in Poland with a similar program. In Bulgaria, these actions were described as betrayal. Therefore, the so-called left wave cannot be implemented by the BSP alone. When we were fighting to make the BSP a social democratic party in 1990 and 1991, they told us: "You renegades, join Dertliev." [BSDP leader] We remained patient—today some people are still showing patience, but the moment comes when you say to yourself: If I am in politics, let me at least fight for what I want for my country."

By entering into an alliance with the Green Party, we expanded its nature toward the right-of-center position. This alliance will now play a key role in developing the new democratic alternative. Of course, this does not imply that we should close ranks and seek leading positions for ourselves in the new alliance. This would be a mistake.

[Filipova] Who else will you get to join the alternative formation?

[Tomov] You will soon receive an answer. It is important that we avoid both of two extremes—either repeating the mistake made by the SDS, by forming an uncontrollable eclectic coalition of parties, or closing up our alliance within a narrow party framework, thus hampering many people and political forces from joining it. New people and new faces should join the alliance who are able to restore the trust of the Bulgarian voter.

[Filipova] Since the alliance will not be a coalition, what will it be?

[Tomov] Experience shows that if one follows the path of forming a mechanical alliance between various small- and medium-sized parties, the old problems and conflicts are reproduced. The new formation's unifying principle can only be its program. I am not referring to an ideological program—liberal, social-democratic, patriotic, or some other kind, but a specific practical program for overcoming the crisis and speeding up the economic reforms.

[Filipova] Is this program ready now?

[Tomov] In general terms, yes. We still have to finalize the details between the various partners, and this will be the most complex process. In any event, I can say that when specific programs are debated, people can obtain a precise idea of who is fighting for what, and what kind of Bulgaria each person wants. I believe that this will shed the light of day on many truths about the BSP and SDS,

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and people will realize what each party means by the terms "socialism," "democracy," "left-wing/right-wing transition," "anticommunism," and so forth.

[Filipova] You are preparing to form a joint parliamentary group with the New Alliance for Democracy [NSD]. Surely you do not calculate that the present parliament will produce a further government?

[Tomov] This question cannot be resolved outside the context of Bulgaria's general political future. A new government cannot be formed independently by GOR, the NSD, the SDS, or anyone else. Such a government would only make sense if it is based on a program principle aimed at achieving specific goals: changing the mechanism for restoring land ownership and speeding up this process, changing all the main directions that privatization is taking, making legislative changes to stabilize the banking system, and waging a radical campaign against corruption and crime. A national formula for such a cabinet would provide many chances for calming the country and for ensuring a better future for it generally.

However, we GOR members believe that this possibility is highly unlikely. However, if the extreme forces within the BSP and SDS conclude a pact at the expense of the others, this may provide a catalyst for forming a strong alternative alliance.

[Filipova] Nevertheless, when will this alliance be formed?

[Tomov] The clock has already started ticking. I think that day X will come some time during September or at the start of October.

Article Details Parties' Shares of Power

AU2208204094 Sofia 168 CHASA in Bulgarian 15-21 Aug 94 p 14

[Article by Yuriy Aslanov: "Parties Have Already Shared Out the State Among Themselves"]

[Text] There is nothing more logical than for the leading political forces to share out the country's government according to the numbers of their supporters represented in the parliament. This is neither natural nor beneficial for the country, but it is logical in view of the ideologized approach used in developing the state institutions.

What is the distribution of forces in the various government structures at the moment?

The BSP [Bulgarian Socialist Party] is the true governing party. It wields the strongest influence in the government and the ministries and departments that serve it. Almost 60 percent of the deputy ministers and heads of departments in the ministries and government bodies, except for those in which party influence is prohibited under the Depoliticization Act, are either former or present BSP members. This to a large extent provides the answer to the question discussed by the Socialists, namely whether the BSP is a ruling or opposition party.

According to the numbers of parliamentary seats held by the political forces, the SDS [Union of Democratic Forces] should be the next party after the BSP. However, only two of the SDS member parties are represented to any marked degree in the departments of the executive, namely the Democratic Party [DP] and the United Christian Democratic Center [OKhDTs]. In fact, the SDS is the principal opposition party, because other parties outside the SDS and BSP have a stronger representation in the executive than the SDS itself; these include the ASP [Alternative Social Liberal Party], BZNS [Bulgarian National Agrarian Union], DPS [Rights and Freedoms Movement], New Policy Center [TsNP], and others.

Many assume that, by holding posts and controlling the situation in the higher organs of the judiciary, the SDS subjects the entire judicial system to its ideological doctrine. However, data on the personnel appointed in the judiciary, their biographies, and professional careers indicates quite the reverse.

There follow approximate figures gathered by 168 CHASA in its own investigation.

Party Members and Supporters Holding Leading Posts (up to head of department level) in the Executive, as percentage of total number of posts:

BSP	56
ASP	12
BZNS	8
DPS	5
DP	5
OKhDTs	3
TsNP	1
Other parties	4
Persons with no party connection	6

Note: Ministries affected by the Depoliticization Act are not included in the total number of posts.

The problem of depoliticization, which affects a limited number of institutions in the executive, also raises a number of questions. Since the act came into force, only one person (the former chief of President Zhelev's reception office) openly declared that he would not leave his party and resigned from his post. The rest, of whom 83 percent were BSP members at the time the Depoliticization Act came into force preferred to keep their posts and sat tight.

The formal act of depoliticization did not free the government machine from ideological control. The main question is whether a declaration of nonpolitical involvement made by a state employee implies that he aims to perform his duties without ideological bias.

Except for the BSP, any party that now wins the elections will encounter the problem that a large proportion of the personnel fit to make management decisions, familiar with the problems, and possessing management reflexes

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acquired over many years, are still trying to overcome the ideological stereotypes of their Communist Party biographies.

When it won the elections in 1991, the SDS primitively defined the problem and adopted a policy of radical personnel changes. On the basis of the criterion "our man and their's," the SDS filled the departments of the executive with hopelessly incompetent people who came up against passive or open sabotage practiced by the professionals persecuted for ideological reasons. This is why no one shed a tear for the SDS when it was forced to give up power. The staff of the executive continued their work uninterrupted and to a certain extent with enthusiasm, because continuity was thus restored.

The presidential lobby is stronger than the parties in a number of instances in the work of the executive. Leaving aside the overseas and domestic structures of the Foreign Ministry, where the president's powers are unlimited by definition, other structures contain persons who were appointed to senior administrative posts by the president, who owe a personal debt to him, or who were selected and appointed by people loyal to the president. I refer in particular to the Defense Ministry, the Committee of Posts and Long- Distance Communications, and certain important offices in the Council of Ministers itself.

The party lobbies also exert influence in business. By exploiting the benefits gained through their privileged status in the structure of power and by providing credits and small legislative and administrative services, the party leaderships arrange a number of appointments in the business world, especially in the banking and insurance sectors. There are now some banks that are identified with particular parties, while some insurance companies are linked with the DPS and OKhDTs. The party affiliations of managers and executive directors of enterprises and companies with annual turnovers exceeding 10 million leva are very revealing.

Party Affiliations of Managers of Companies and Enterprises with Annual Turnovers Exceeding 10 Million Leva, as percentage of total number of posts:

No party connection	67
BSP	21
BZNS	9
Other parties	3

However, according to the amount of the companies' basic capital, the above distribution looks as follows:

Relative Share of Basic Capital of Companies and Enterprises with Annual Turnovers Exceeding 10 Million Leva According to Party Affiliations of Managers and Executive Directors (as percentage of total amount of basic capital):

BSP	73
BZNS	10
Other parties	4
No party connection	13

It can be seen that the party lobbies in the economy have retained the structure they had prior to 10 November 1989.

The courts and prosecutors' offices that until now have been regarded as traditional SDS territory are also affected by the party cadre officials. The distribution of judges, judicial assessors, and prosecutors according to the party origin of their letters of recommendation for appointment takes the following form:

Distribution of Judges, Judicial Assessors, and Prosecutors According to their Party Sympathies (as percentage of total number of posts):

BSP	31
SDS	30
BZNS	19
Other parties	11
No party recommendation	9

In local government no party or coalition holds a preponderant position. On the basis of the numbers of administrators, mayors, deputy mayors, and municipal councillors, the BSP is the best represented party.

Party Representation in Local Government Bodies (as percentage of total numbers of administrators, mayors, deputy mayors, and municipal councillors):

BSP	32
SDS	31
BZNS	11
DPS	8
Green Party	4
Fatherland Party of Labor	4
Bulgarian Liberals Party	2
Other parties	4
No party affiliation	3

Distribution of Population According to Parties in Power in Municipalities (as percentage of population):

SDS	34
BSP	33
DPS	12
BZNS	4
Other parties, no party	17

It is evident from the above that the party lobbies at the local level almost exactly reflect the results of the last general elections. This may serve as a further argument in favor of the majority electoral system.

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Havel Meets With Herzog, Liechtenstein Officials

LD2208204894 Prague CT 1 Television Network in Czech 1730 GMT 22 Aug 94

[Excerpt] The two-day meeting of the nine European presidents ended in the Tyrolean Alpbach today. Yesterday evening, German President Roman Herzog asked Vaclav Havel for a meeting to get acquainted. They met during their journey from Innsbruck to Alpbach and talked for one hour. According to Havel, both politicians established a good personal relationship.

[Begin Havel recording] Anyway, those who know his inauguration speech in the Bundestag or his speech in Warsaw know that this is a man who really wants to continue the tradition of former President von Weizsaecker, which means that he also wants to talk about things that are not popular. He wants to reflect truthfully about history and wants Germany to be a really trustworthy European country that does not have any problems with its neighbors, linked to the past. [end recording]

However, German President Herzog declined to comment on his talk with Vaclav Havel for Czech television. An unexpected meeting took place during a reception yesterday evening. The Councillors of Liechtenstein's head of state, Prince Hans Adam II, staged a short encounter with President Havel. According to our information, the Czech president was not at all interested in this public meeting because it is alleged that there is nothing outstanding in the matter of Liechtenstein's restitution claims. In his comment for Czech television, Liechtenstein's prince said that he was not concerned anymore about any restitution claims and was enthusiastic that he managed at least in this way to establish contact with President Havel. Mutual Czech-Liechtenstein relations have for many years been almost at zero level. In his comment, Prince Hans Adam II said he only wanted to establish normal friendly relations and that he was prepared for a dialogue with the Czech representatives. However, he understood that Czech-Liechtenstein relations are not a matter of priority for the Czech Government. [passage omitted]

Havel Stresses Desire To Join EU by 2000

AU2208124594 Vienna DIE PRESSE in German 20 Aug 94 p 3

[Interview with Czech President Vaclav Havel by Karl-Peter Schwarz; place and date not given: "Responsibility for the Old Continent"]

[Excerpt] [Schwarz] Mr. President, do the Czechs actually want to get into the European Union? While Poland and Hungary are applying for membership, the Czech Republic is taking a strikingly long time.

[Havel] Our orientation toward European integration constitutes the undisputed axis of our foreign policy, which is supported by virtually the entire political spectrum in the Czech Republic, just as our diplomats have made efforts to ratify the association treaty with the European Union, which clearly shows where we see our current and future place in Europe. I do not believe the date of the membership application is important. The precondition for joining the European Union is the establishment of a competitive market economy, the adjustment of the legislation to common norms, and the stabilization of democratic institutions.

[Schwarz] The criticism of the centralist qualities of the European Union is voiced nowhere more loudly than in Prague. Some EU politicians seem to be irritated by that. Jokingly, they ask whether it is the Czech Republic that is supposed to join the European Union or the other way round.

[Havel] The[illegible]olitics from EU countries may be reacting too [illegible]itively to suggestions that are made to the European Union from outside. It is also possible that Czech politicians are dealing with the issue too vehemently. However, this proves only one thing: We have never doubted that we are part of Europe and that we also want to belong to Europe in good times and in bad in the future. The European Union is close to our hearts, and we feel the need to comment on it. In a relatively extensive speech at the European Parliament in Strasbourg, I myself did just this recently. Prague cannot be skeptical of Europe. You yourself must feel how paradoxical, how nonsensical that sounds.

[Schwarz] The point is the basic question of whether the goal of political union is to be maintained or whether it is sufficient to create a free trade zone. What is your view on that?

[Havel] I would like to refer to my speech in Strasbourg once again. Today we concentrate too often on how the European Union and its institutions work, but we forget its idealistic, intellectual, and civilization bases. The point is not to add further, even nobler, laws to that noble collection of laws that are completely removed from the joys and fears of the "average" European. The point, rather, is to create the feeling of having to care and being responsible for our old continent and to consolidate the conviction among the people that the European Union is the best instrument to protect the values they respect and feel. By the way, some national powers have already been transferred to Brussels.

[Schwarz] From the Czech point of view, Austria's joining the European Union is an ambivalent matter. On the one hand, Austria supports the Czech Republic's potential membership, but, on the other, the European Union now needs time to come to terms with the first round of enlargement. The Czech plan to become a member of the European Union by the year 2000 does not seem to be very realistic under these circumstances.

[Havel] In a situation in which the European Union, despite the relatively precise self-definition in the Maastricht Treaty, is facing new members and new tasks, it is

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difficult to say how long this process of coming to terms with the new things will take. However, I believe that the enlargement of the European Union by the EFTA [European Free Trade Association] states is not something that is difficult to stomach. It will be good for Europe. As regards the specific time frame, I expect that the Czech Republic will be prepared for membership before the year 2000. The questions are now rather in the court of the European Union—the provisional "waiting for EU membership" should really take only as long as absolutely necessary.

[Schwarz] The right to free settlement and acquisition of real estate for all EU citizens played a big role in the discussions in Austria. Sometimes there was talk of a selling out of the country. Do you believe that the Czech population, in particular in the border areas with Austria and Germany, is psychologically prepared for this?

[Havel] These fears are very understandable. In our country, too, part of the population has such fears, which arise from historical experiences that have not yet been come to terms with. However, I assume that public opinion will change when it is acquainted more thoroughly with the practice in the European Union. [passage omitted]

Klaus Discusses Domestic Economy, Politics

AU2308103994 Prague RUDE PRAVO in Czech 13 Aug 94 pp 1, 10

[Interview with Czech Prime Minister Vaclav Klaus by Robert Dengler and Jitka Gotzova in Prague "this week": "The Agentomania Harms the Transformation"]

[Text] *In the interview he granted RUDE PRAVO this week, Prime Minister Vaclav Klaus rejected the "certain agentomania that is emerging in this country" because, according to him, it can jeopardize the transformation of our society, which is based on overcoming communism as a system and not on separate clashes with its individual agents.*

[RUDE PRAVO] The coalition refused the demand by the opposition that the government balances its books at the midpoint of the its time in office, pointing out that the ministers attend sessions of the committees and some even visit meetings of the opposition clubs. Nevertheless, this demand also includes the other side of the matter: to say what the government priorities are in the remainder of their time in office. What would you say they are?

[Klaus] We must first establish whether we understand as a priority some details or something integral. I keep repeating that, for me, a priority is a complex, and that is the continuation in the started concept and method of the transformation of this society from the communist system into a free society. I believe it is of fundamental importance and a priority that we do not lose the pace and start to lead the transformation process astray.

I must admit that I am beginning to feel anxiety about another attempt emerging today—it is more or less a lapse into an alternative way of dealing with our communist heritage. We have consistently opted for the alternative of systemic solution, of overcoming communism as a system, instead of separate, personal clashes with the individual agents of the evil and wrongs of the communist system. I am not certain that it was phrased so strongly before, but I believe it is time to state it clearly. One of the advantages of our country is its understanding that the guilty party is the communist system rather than a few individuals who committed some unfortunate deeds within its framework.

I am rather uneasy about the current new stage of a certain agentomania that is beginning to emerge here because that would offer a different solution and an entirely different concept of our transformation process. Let us hope, however, that it is only a miniwave rather than a change in the trend. I would consider it very ominous. If something like that threatened, I believe, it would be necessary to start principal polemics regarding the very essence of the "task of our time." When I perceive this as a dominant problem—believe me—the law on telecommunications, the method of refinery privatization, or the supplementary retirement insurance plan system are of a completely different order of concern and importance, although I do not underestimate them at all.

[RUDE PRAVO] Why do you think this agentomania has emerged precisely now? Does it have anything to do with the election campaign?

[Klaus] I am not able to analyze the issue and reach an indubitable conclusion at this time. I believe that this trend has always existed latently in the country. There are people who would like to bring it to light. Undoubtedly, the privatization of refineries was also a gratifying topic. I do not know whether it is an electoral maneuver, but it does not seem to be such a clear issue for the local elections. If anything, it might be a maneuver aimed at the parliamentary elections.

[RUDE PRAVO] Do you share the impression that public opinion and the marginal political forces are being carried by this wave, or is it also ingrained in the influential parties and their representatives?

[Klaus] If we disregard the extremist Democratic Union, for which it represents the entire program, I believe that something like that is encountered in small doses in practically all political parties.

[RUDE PRAVO] This brings up the logical question of whether you yourselves are not under pressure from the Civic Democratic Party.

[Klaus] I do not believe it is a major problem. I feel it is more like a permanent debate within our society, which I used to describe through the analogy of the rearview mirror. There are still people among us who would like

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to magnify the rearview mirror and obstruct the windshield—and the front view—in the process. In this respect, any attempt to shift it to party internal debates in whatever party really is meaningless.

[RUDE PRAVO] You have often referred to a standard political system based on parties. It would seem that it means the basic right to vote once in four years, and that is it. What do you see as the basic right of a citizen in addition to the one-time right to vote?

[Klaus] First, I cannot accept the perception of the world that elections take place once in four years, and then there is a void. That is a caricature of representative, parliamentary democracy. That is not its true inner essence because the citizen certainly participates in some form in the political life throughout the entire four years. To this purpose, he also has the institutions called the media, which operate as a factor relentlessly correcting the conduct of the politicians. Nevertheless, I do not think your question is altogether objective. It is intended to establish whether there should be other mechanisms in addition to parliamentary democracy, some supplementary systems. That is currently a subject to a certain dispute. Moreover, I believe that it is a quite obvious one. It is led between those who start from the individual and say: Let the individual associate in any way he considers appropriate. This is opposed by another view, which knows how the individual should associate and therefore creates from above various "compulsory" autonomous bodies, be it of a territorial or a professional character. Not a single person among us, whom you so unnecessarily mock as centralists, has ever said a word against a voluntary association of citizens or their implementing their most authentic rights, opinions, and demands through these organizations. I believe that this is the necessary cement of our entire society. I would not dream of saying something against this.

[RUDE PRAVO] Nevertheless, there are supremely political issues that can be implemented through the parliament, where the government coalition certainly holds a majority. Do you believe that a sufficient control mechanism has been formed regarding the state bodies, for the work of which the parliament is responsible? You said recently that a problem of one district head is not the prime minister's business. We feel that it is not like that. After all, the government itself has reached the opinion that, at a certain moment, when it lost control, it had to react, and it recalled the district head.

[Klaus] I am not aware of any instance that could be described as a loss of control. What are we discussing? As far as I know, there is an accusation against one district administration official. It is an accusation. He has not been tried, so his offense could not be proved. For myself, I can say that I am still at a loss whether this person made an honest mistake or committed a conscious infraction. Nevertheless, I am the last person to make assessments and pronounce a definite statement on whether it was this or that way. So, I really do not know anything about losing control. On the other hand, I am convinced that this government is controlled—by the parliament and mainly by public opinion precisely through the media. I believe that the control exercised over the government, as opposed to all the so-called public corporations that also have a public rather than private character, is great.

[RUDE PRAVO] You recently referred to the view demanding "to return what was stolen" as cheap and tremendously shortsighted, and you do not believe that the main wrongs of communism were not property-related. Do you believe you will be able to settle this within the framework of the coalition?

[Klaus] I did not speak about shortsightedness. I said it was false. The connotation is that it again is a systemic problem. It is much less an individual, specific problem. I keep saying that communism has done a lot of damage in this country, but far from all of these damages are of material character. On the contrary, most of them are completely different; they pertain to life, people's fates and, therefore, under no circumstances is it possible to turn back the wheel of history and return to 24 February 1948 [a day before the communist coup]. An attempt to separate one narrow segment, a few properties, from the transformation of a social system is, for me, a terrible distortion of the entire problem with which we deal. Moreover, I have always said that this problem has no definite solution because it is a fallacy that the returning is done by those who stole some property. It is someone completely different, and the entire issue is turned upside down.

[RUDE PRAVO] Nevertheless, some coalition partners insist....

[Klaus] I must insist that on this point there must be a consensus in the coalition. Therefore, I keep hoping that some of our coalition partners should comprehend it.

[RUDE PRAVO] Is time not of the essence?

[Klaus] I do not believe it is. It appears that the exoneration-restitution, or back-looking mania, certainly does not have a descending tendency. On the contrary, I believe it has an ascending trend, and, with every new form of restitution and exoneration, the Pandora's box of others and more is opening. I do not at all have the feeling that this issue is less pressing in August 1994 than it was in August 1990, August 1991, etc.

[RUDE PRAVO] Do you believe that the state administration made certain that the limit for restitution of 25 February 1948 will not be broken? Are you receiving information of the type that this looks peculiar, suspicious, it should be looked into?

[Klaus] I do not understand the question. I have no idea how it relates directly to the state administration. One thing is a matter of laws that are not approved by the state administration and that, admittedly, probably violated or broke the 25 February 1948 limit in some details

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or particulars. The state administration is not directly responsible for this. Another and completely different question is whether a particular state official misinterpreted the law and took a step in a particular instance that contravened this law. If I were to tell you that I am aware of such instances, I would have to resign because it is my task to prevent such things. If you know about such instances, out with them! Moreover, if such a violation of the law occurred, it must undoubtedly be corrected.

[RUDE PRAVO] RUDE PRAVO on 9 August carried the information that Karel Schwarzenberg apparently claimed and received in restitution a large part of his property illegally.

[Klaus] And I am unable right at this moment to play legal expert or an interpreter of laws. That again is not the task of the prime minister.

[RUDE PRAVO] Could you take such a notion, make it your own objective, and initiate some investigation by the state administration?

[Klaus] I am not responding to your article, which I have not read, but I do not believe that it is an immediate responsibility of the state administration.

[RUDE PRAVO] The only problem is, however, that the amendment to the aforementioned law was adopted by the coalition deputies. Some lawyers admitted that they have not noticed a part of the modification and described it as a move of genius on the part of the initiator.

[Klaus] Let us not be suspicious. It does not have to be a genius's move. It is not always completely thought out how a certain sentence can be read after 10 separate anagrammatic transpositions and into what it can eventually develop. At times it is a failure to think of all the correlations that can result from a single phrase.

[RUDE PRAVO] About 96 percent of people consider corruption to be a very or quite pressing problem. The Civic Democratic Party election leader, Prague Mayor Jan Koukal, declared an anticorruption campaign. It seems as though other bodies, including the government, did not deal with the problem because they did not declare such a campaign. How would you assess this problem?

[Klaus] I am very much against campaigns of any kind because they seem to me superficial, false, and artificial, and I do not believe they take us far. I am interested in corruption as a general phenomenon. I do not have any data on corruption. Corruption occurs as a logical product of a deficit economy and in a society where everything is either banned or where there is a shortage of everything and where unethical steps are taken to obtain a license or permit or to procure an object. Corruption in our country has always been lower than in other communist countries, and that, among other things, was because the degree of economic imbalance was much lower here than in Russia, for instance, or in some other Eastern country. We could perhaps say that some question marks are hanging over the course of a unique phenomenon—the privatization process. Despite all of the indications, prompting, and intuition, however, no truly clear instances of corrupt action could be ascertained among the thousands and tens of thousand of instances of privatization. I am convinced that, if they were apparent cases of it, an occasional one would have to break into a scandal. I believe it is a very marginal phenomenon. After all, you are well aware of the intent by one group of politicians and economists to minimize precisely this problem of the privatization process by creating the coupon privatization system. It seems a little like a thing of the past, but I can attest to the elimination of this phenomenon being one of the main motives in creating coupon privatization. The problem is that people always imagine things. I repeat again, if someone knows of a specific instance, out with it!

[RUDE PRAVO] You might be surprised....

[Klaus] I have been saying such things for four years, and that avalanche of letters that would state "we know of this" is simply not coming.

[RUDE PRAVO] Earlier, you assessed the coupon privatization as a success. We believe, however, that one can speak of success only after the effect of the new ownership on the management of the enterprises will show. So far, the ownership is broken up into tiny packages.

[Klaus] The thesis of dispersed ownership is a piquant, model-type, left-wing, and Zemanian (reference to the opposition leader, Czech Social Democratic Party Chairman Zeman) criticism of our privatization process. Social Democracy should fight, if not for socialism, for precisely such popular capitalism and for a dispersed and scattered ownership, but, surprisingly enough, it does not. It is a false argument because it is based on the idea that someone is organizing and directing with his baton the entire privatization process, but that is not the case. When we arrived at the coupon idea, we knew that there would be several million owners. During the first months, we were warned that everybody would immediately sell his or her coupons or shares for a bottle of scotch and that a dramatic concentration would occur overnight in very, very wrong hands. You know very well that nothing of the kind happened. The process of transferring ownership is completely natural, continuous, without any jumps. This means that it has its own intrinsic.logical structure. It can be neither accelerated nor decelerated. I am really not troubled by the structure of the ownership as it is now. I believe that a certain concentration occurs in time, and it will be reflected in the firms. If a sudden concentration occurred, we would have been criticized for having designed a dumb privatization method. Everything is running as it should.

[RUDE PRAVO] When do you expect the effect of the capital concentration to manifest itself?

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[Klaus] I am more troubled by the choice of the continental (or rather German) method, which facilitates the bank ownership of many enterprises. That is a phenomenon I certainly have not planned and that I never considered. It occurred particularly through the investment privatization funds, which multiplied much faster than we imagined and expected. That does not please me.

[RUDE PRAVO] According to some of your partners, the state of the coalition is very grave as a result of the Civic Democratic Party stands.

[Klaus] This problem has been explained and refuted so many times that I almost hesitate to say something new. I believe that, if there is a compliant element in the coalition and if someone promotes his ideas by less banging on the table, it is the Civic Democratic Party rather than any of the other three coalition parties. I keep wondering how I would act if I were a lesser coalition party like the Civic Democratic Alliance or the Christian and Democratic Union-Czechoslovak People's Party.

[RUDE PRAVO] What conclusions have you reached?

[Klaus] I am perturbed by the idea some of them have that a destabilization of the political scene is their victory. I do not think I would do that.

[RUDE PRAVO] According to some people from the coalition, you will not recall Defense Minister Antonin Baudys, although it is within your power because you would thereby jeopardize the stability of the coalition.

[Klaus] The idea that a prime minister could recall one of the ministers, moreover from another party, without a major coalition debate is simply nonsensical and impossible, and all of the coalition partners are well aware of it. I am concerned with something else about this affair surrounding Minister Baudys. It is that media resort to discussions about several superficial issues regarding the minister rather than conducting a thorough analysis of the situation in the Czech Army and focusing on the success or failure of the minister in the transformation of this army. I believe that this should be precisely the topic of the debate. Second, it is obvious that this government post belongs to the People's Party and that this party has its internal structural problem. It is certainly no secret that Mr. Lux [People's Party chairman] and Mr. Baudys represent two more-or-less different segments within this party. It is not up to me to assess their relative strengths, and it must be solved by this party alone. Third, I know that a new minister would have to come from the same political party, and I am not aware of any clear, strong, candidate within the Christian and Democratic Union-Czechoslovak People's Party who wants his place in the sun.

[RUDE PRAVO] A change in the coalition treaty and a trade of ministries among the parties is not being considered?

[Klaus] I do not believe it is on the agenda for the day.

[RUDE PRAVO] The local elections are approaching fast. Could you tell us whether and how ready the Civic Democratic Party is?

[Klaus] It is completely obvious that there are very few political parties that would form in every small village. We are not in such a situation, and we still are far from the ideal of the Republican and Democratic Parties in the United States or the Labor and Conservative Parties in Britain. Therefore, there are still far too many political parties, and the people interested in political work are scattered throughout all of these parties. Therefore, it is absolutely impossible that all of these parties would have complete slates in every community. No candidates of any party at all will run in many communities. In many communities, there are one or two parties. Independent candidates are likely to win easily in numerous smaller communities because the local elections will not be the traditional or ideological elections as are the parliamentary elections. The parties must simply come to terms with this. They have to acknowledge it and not consider it a great tragedy. It is logical that the interest in politics and public activity skyrocketed in the first post-November [1989] period. Many people became involved in local politics, although they had their ordinary occupations. Now, four years later, many of them are returning to their professions, and it might be difficult to find mayoral candidates or even candidates for local councils, in general. The generations of such standard local politicians have not grown here as they have in the stable democracies, people who de facto bind their lives to the running of the local and municipal offices. It is neither my preparation for nor defense of the local elections ending up differently in percentage points than the last parliamentary elections. I state it as an unbiased and independent analyst. It is not party politics in the narrow sense of the word.

[RUDE PRAVO] According to some sources, many current local representatives do not want to tie themselves to any political party, and new candidates want to run independently....

[Klaus] My information is different. In an attempt to get on the party list of candidates, people are applying for party membership, but they are too late. At the same time, they seem to be good people, but the local organizations of individual parties are becoming consistent, and say: My dears, you should have applied earlier. The problem that I encounter, for my party, is exactly the opposite of what you said.

[RUDE PRAVO] It may be more than just the candidacy—perhaps a share of power, careerism. Is that not so?

[Klaus] Yes. That is precisely the reason the local organizations would not include them on their slates and unpleasant problems ensue with reflections on whether that particular party is or is not open. After all, if a party announces two months before the elections that it does not accept new members, it is not at all undemocratic.

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Klaus Rebuffs Coupon Privatization Critics

AU2208145894 Prague LIDOVE NOVINY in Czech 15 Aug 94 p 5

[Article by Prime Minister Vaclav Klaus: "Will People Be Deprived of Their Coupons?"]

[Text] In the past couple of days, we have come across a somewhat unexpected media reaction to the course of coupon privatization thus far.

The organizers of this method are being accused of incompetence, of deliberately slowing down its pace, and even of setting the prices of shares so that some companies would not be sold at all. Holders of investment coupons are being warned, directly or indirectly, that they could be deprived of their investment points.

I have to make a few explanatory remarks on this:

1. Media speculation about when and how the privatization wave would be concluded also appeared two years ago. As many people will surely remember, we were facing severe time constraints then because the federation's partition into two independent states was drawing near. Nevertheless, we managed to wind up the entire process in time—that is, in December 1992—and there is no reason we should not accomplish this again this time.

2. We are well aware of the possible political complications that would arise if the coupon wave were concluded at a moment when a considerable part of investment points remains in the hands of a great many holders of investment coupons. To prevent this from happening, the Finance Ministry's price commission has chosen a method whereby investment points are consumed more rapidly than the pace at which the volume of property shrinks. Because of this method, the opposite is more likely to happen—that there will still be property left at a time when everyone ran out of his investment points. (Let us recall that, at the end of the first wave, too, 7.2 percent of originally offered shares remained unsold).

3. Obviously, the chosen method cannot guarantee that every registered holder of investment coupons spends all of his investment points. Those holders of investment coupons (or even investment privatization funds) who will not regularly participate in all privatization rounds can be left with unspent points. However, at present, we estimate that only about 1 percent of holders of investment coupons who had bought the coupon book consistently ignore the placing of orders for shares. Therefore, no big problem can arise on this count.

4. The speed of coupon privatization results neither from the number of privatization rounds nor from the pace of their execution. Coupon privatization is the fastest known privatization method, first and foremost, because it makes it possible concurrently to include hundreds of enterprises in the privatization offer and because it precludes overpoliticized discussions on individual companies to be privatized, such as we are witnessing today—for example, in conjunction with the so-called Czech path of privatizing the petrochemical industry. Some people may have already forgotten it, but that was precisely one of our original intentions.

5. While on the subject of the number of rounds, let me note that no government official has ever proclaimed that there would be fewer rounds in the second wave than in the first. Quite the contrary; after the end of the preliminary round it was already clear that a greater proportion of holders of investment coupons would invest their points individually. The natural consequence of this, for us, very gratifying fact is that the problem of price setting has become technically somewhat more complicated. Of course, we would have been able to regulate the participation by holders of investment coupons by means of a higher registration fee (a fee of up to 5,000 korunas had been proposed), but the government ultimately decided that it wanted to give a chance to the greatest possible number of citizens, which is why it did not raise the price.

6. Another difference between the two waves of coupon privatization is that the first was held at a time when there was no capital market to speak of. I have said many times that one of the most interesting economic phenomena was the confrontation of two essentially independent types of market—the so-called real market (stock exchange, the RM-system market, direct trading) and the "coupon" market. It is to be seen today that, with the evolution of the capital market, individual privatization rounds are becoming more vulnerable toward the sometimes very strong price fluctuations on the capital market. Holders of investment coupons monitor daily, according to the prices on the stock exchange and the RM-system market, how much their coupon investment is worth. The Finance Ministry's price commission is therefore busy acting in anticipation of the investors' everyday calculations.

7. Our original aim was to transfer the shares to their owners continually, immediately after the end of each round. Nevertheless, we are still pondering whether the indisputable economic effects of this course of action will outweigh some of its risks. The government realizes that millions of people are involved and that, no matter how negligible the percentage of complaints may be, this still concerns thousands of (fortunately, mostly unjustified) complaints. Nonetheless, I have been assured that the Securities Registration Center, in cooperation with the National Property Fund, are working to make it possible, particularly if the number of privatization rounds turns out to exceed five, to quickly transfer at least a part of the shares to their new owners.

8. Already in the course of the first wave, accusations were leveled against members of the government and the National Property Fund that the government did not really want to sell some of the enterprises that had been

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included in the offer. Even then we kept explaining that this was not true. We do not want to save any shares that had been earmarked for coupon privatization for sale (for money) on the capital market. We do not want to finance the state budget deficit from such proceeds, if for no other reason than because we do not intend to "produce" any deficit.

9. I feel compelled to make one more observation that goes beyond the framework of coupon privatization and concerns the state budget and the sources of public financing. From the economic, social, and also political viewpoints, it is not reasonable to rule out the financing of some public requirements from privatization proceeds. It is known that the first modern extensive privatization program, launched in England under Margaret Thatcher's leadership, was initiated also to find resources to repay debts generated by the preceding socialist (Labor) government. The main reason we did not emphasize these sources of state finances in the past was to prevent this temporary (and clearly limited) method of "public financing" from generating excessive expectations both on the part of the public and, in particular, among some politicians with interventionist inclinations.

10. The "people" really will not be deprived of their coupons. It would not be in the interest of anyone of us because it could only trigger considerable discontent, which we surely do not want. Fortunately, this year's summer has not produced any of our traditional small "summer" affairs, and it would be a pity if disinformation about coupon privatization, for which, incidentally, our destabilization-seeking opposition never rooted, were to become the seed of social unrest.

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Foreign Minister Views Integration Into Europe

AU2208203694 Prague RUDE PRAVO in Czech 9 Aug 94 pp 1, 4

[Interview with Foreign Minister Eduard Kukan by Pavol Minarik; place and date not given: "We May Have Been in Europe, but No One Knew It"]

[Text] [Minarik] How do you view the integration of Slovakia into European structures?

[Kukan] When I became foreign minister in mid-March, my main goal was to assert Slovakia in international relations so that Slovakia could be seen as one of the participants in the European integration processes. All of my foreign trips were subordinated to this goal. One of my first trips was to Spain, and, during a reception lasting about one hour, King Juan Carlos II told me, among other things, that, when his country strove to become a European Community member, he had not seen his foreign minister for about two years. In short, their chief of diplomacy was constantly touring the world, meeting his counterparts, and telling them repeatedly the same things. By this I do not want to say that I fully took the king's words to heart, but I consider them to be royal wisdom. In the final analysis, Spain has the most recent experience with the procedures in this process. We are trying to follow the same route, and, in my opinion, the first results can already be seen. Slovakia is beginning to be accepted as a member of the European club, not only in Europe but also in the world. This, in fact, is what we strove for. In Slovakia, they say that we have always been in Europe. This is true. We were in Europe, but nobody took any notice of us. Now this is beginning to change significantly.

[Minarik] In which respect has Slovakia's image changed, in your opinion?

[Kukan] The consensus on the domestic scene regarding the foreign policy of the Slovak Republic has allowed us to present Slovakia in discussions with foreign countries as a country that is unequivocally heading toward the European structures. We were able to present Slovakia as a country that might have certain problems but whose orientation is clear, a country in which no "third way" is being invented and regarding which talk about some kind of a road toward the East is unfounded.

[Minarik] What do you have to say most often to your partners during your foreign trips?

[Kukan] I keep repeating that we really subscribe to the West European cultural and civilization values and also that our place is in the West European structures.

Everywhere they ask us about the Slovak Republic's relations with its neighbors—with the Czech Republic and Hungary and also with Austria—and how we intend to deal with problems we have with them. They also ask what the Slovak political scene is going to look like after the early parliamentary election in September.

[Minarik] Do you know what it will look like?

[Kukan] I do not know exactly, but I believe that my evaluation is identical to that of many others who watch political developments in Slovakia. That is, the Movement for a Democratic Slovakia will win the largest percentage of votes, but it will not have enough to be able to form a government by itself. The crucial issue after the election will be whether it succeeds in acquiring a coalition partner, which I doubt. This also is why I think the current broad coalition has a chance of ruling in Slovakia even in the future.

[Minarik] President Kovac speaks about the chance of a historic treaty being concluded between Slovakia and Hungary. What is your opinion about it?

[Kukan] In Warsaw not long ago, I had an opportunity to meet the new Hungarian foreign minister, Laszlo Kovacs, for the first time. In a certain sense, this was an introductory meeting, but even during it we came to the conclusion that both the Hungarian side and the Slovak side are interested in not postponing our negotiations on this historic treaty and in discussing its specific wording in the shortest possible time. We are intensively preparing for it. We have had certain signals from the Hungarian side that it has understanding for Slovakia's concern to have regulated in the treaty the issue of the borders, respect for them, and their inviolability. Of course, at the same time, it is interested in correspondingly regulating in the treaty the issue of the protection of the Hungarian ethnic minority in the Slovak Republic. Our government is of the opinion that substantial progress could be achieved, in a relatively short time, on the issues in which both sides are interested. When both parties agree, we will sign it.

[Minarik] Not long ago, you and President Kovac visited Spain again. Do you see any chance in Slovakia of applying the Spanish way of changing from dictatorship to democracy?

[Kukan] Spain dealt with identical or similar problems in the same way several years ago. Even in Spain, there was a transitional period from dictatorship to a democratic society, and then the road toward the European Community followed. In fact, we in Slovakia are in the same situation as they were several years ago. This is why Spanish experience or, as it is usually called, "the Spanish way," is extraordinarily valuable. Spanish representatives were willing to share their experience with us, and their main experience, with the integration into the European Union, is invaluable for us. For example, they stressed that it would be a complicated and, at the same time, long process. For us, it is important to be aware of this, if for no other reason than that, when we run up against obstacles or our admission process takes a long time, we will know that we are not alone and that this is not a specific Slovak case.

[Minarik] How do you view Czech-Slovak relations?

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[Kukan] I consider them good. There are no problems between us. The recent informal meeting between Prime Ministers Klaus and Moravcik in Switzerland certainly helped improve them. While these were no real talks but only a discussion, this sometimes is more valuable than official talks. Now the issue is to solve certain problems—for example, the issue of the old bloc, the assets and liabilities of the [former Czechoslovak] State Bank, etc. I do not know whether it will be possible to solve these problems before the parliamentary election in the Slovak Republic in the fall because we are now in the vacation season, and, in September, the election campaign will be running at full speed in Slovakia, and the politicians will be preoccupied with this. I would not be pleased, however, if the questions that remain open were exploited in the election campaign.

Agreement Signed With Latvia To Abolish Visas

AU1908170894 Bratislava PRAVDA in Slovak 18 Aug 94 p 3

[Article by "ro": "Presidents To Attend Slovak National Uprising Anniversary"]

[Excerpts] Bratislava—Slovak Minister of Foreign Affairs Eduard Kukan and Valdis Krastinsh, ambassador of the Republic of Latvia to Slovakia, signed an agreement on visa-free travel yesterday. Addressing a news conference shortly after the signing of the agreement, Kukan stressed that this was the first bilateral document signed by the two countries. It is an expression of Slovakia's interest in developing not only bilateral relations, but also relations with the other Baltic republics of the former Soviet Union.

The minister announced that the Slovak side had sent a note to Budapest. In accordance with the contents of the Hungarian prime minister's talks in Bratislava on 5 August, the note proposes that experts from Slovakia and Hungary meet to deal with the issue of the water regime on the Danube. The Slovak side is now waiting for Budapest's proposal on when the meeting of experts could be held. [passage omitted]

In conjunction with the approaching festivities to mark the 50th anniversary of the Slovak National Uprising, reporters were told that the presidents of Bulgaria, Belarus, Hungary, Romania, and possibly other countries were expected to participate, in addition to distinguished guests from other states.

We have learned from other sources that the organizers are somewhat disappointed by the announced representation of Russia. They do not rule out last-minute changes to the composition of individual delegations, however. [passage omitted]

Schmognerova Justifies 'Controversial' Sales

AU2308090894 Bratislava PRAVDA in Slovak 16 Aug 94 pp 1-2

[Interview with Deputy Prime Minister Brigita Schmognerova by Ivan Podstupka; place and date not given: "Money to the Fund, Investments to Companies"]

[Text] The decision by the National Property Fund [FNM] Presidium to sell the shares of selected shareholding companies—Slovenska Pojistovna [Slovak Insurance Company], Benzinol, Investicna a Rozvojova Banka [Investment and Development Bank; IRB], Slovenska Sporitelna [Slovak Savings Bank], and VSZ [East Slovak Iron Works]—was both surprising and controversial. Even a part of the government coalition disagreed with it. We asked Deputy Prime Minister Brigita Schmognerova about the motives for this step.

[Schmognerova] At a meeting of economic ministers on 10 August 1994, we formulated a recommendation for the FNM Presidium with regard to only three sales: VSZ a.s. [shareholding company], IRB a.s., and Benzinol a.s. As regards Slovenska Pojistovna and Slovenska Sporitelna, we adjourned the discussion on the former until the beginning of September because of a lack of information, and the discussion on the latter until 17 August 1994. Therefore, I would like to confine my comments to only three of the five companies. We raised one fundamental objection, to which all of the economic ministers, regardless of the party they represent, agreed, with the exception of Privatization Minister Janicina, who was absent. The objection concerned the fact that, in our opinion, the FNM Presidium set an insufficiently realistic timetable and did not consider the possibility of organizing a tender by a professional firm, determined by a competition.

And now let me get to your question. There are many reasons for the sales, even though they are not the same for all three companies. Among the reasons that are common to all of them is the necessity to look for investors who would avail themselves of the needed investment resources, know-how, and so forth—for example, in Benzinol—for the development, modernization, and environmental safety of petrol stations; in the IRB for partial recapitalization; and the like. The second reason is that, in previous years, the FNM, often unjustifiably, retained a high stake in companies in which it was unable to efficiently exercise its rights as owner. And, finally, the FNM must inevitably increase its liquidity. Its liabilities for 1994 represent 7.5 billion korunas [Sk], and, under the law on the state budget, it is to contribute Sk4.2 billion to development programs. Yet its expected revenues in 1994 for sales realized in past years represent only Sk3.7 billion. The FNM must therefore also sell lucrative enterprises.

[Podstupka] But why has direct sale been chosen? Would it not have been possible to invite a public tender for the shares or to sell them on the capital market?

[Schmognerova] The economic ministers' proposal was to use the advantages of both the public tender and direct sale methods. We recommended organizing the tender not by a tender commission appointed by the FNM but through a consulting or investment firm on the basis of clearly set criteria. The final decision in such important cases should, however, always rest with the government.

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Sale on the capital market has certain disadvantages. Leaving aside the fact that, given the lack of liquidity on the capital market, the share prices would be strongly pushed down, it would be impossible to guarantee that he who acquires the shares meets certain requirements (for professional expertise, for instance) and other conditions—for example, the commitment to maintain employment at the present level, to protect competition on the market, to protect national interests, and the like. All of this can be included in the terms of the contract in the case of a direct sale.

[Podstupka] The enterprises involved are a significant component of Slovakia's industrial and, in particular, banking structure. The FNM's stake in some of them is being cut drastically.

[Schmognerova] The FNM Presidium proposes that the FNM retain temporary participation in Benzinol, but not in excess of 26 percent. As far as the VSZ a.s. is concerned, the FNM, given the present structure of its owners, did not actively exercise its shareholder's rights in the company anyway. Concerning the IRB, it has been proposed to sell the FNM's entire stake of 36 percent.

[Podstupka] The banks are an altogether separate issue. The state guarantees individuals' deposits in the IRB and in Slovenska Sporitelna. Will it be able to live up to its commitments after it loses its dominant participation in the banks?

[Schmognerova] The state guarantees individual deposits, of which about 90 percent are in Slovenska Sporitelna. We have not discussed Slovenska Sporitelna yet, but the guarantee of individual deposits cannot and will not be under threat.

[Podstupka] Do you have a tentative idea about who might be interested in acquiring the shares of the above companies?

[Schmognerova] There is some preliminary information. For example, parties interested in the VSZ a.s. include the Hutnik [Metallurgist] shareholding company, which has been set up by VSZ employees. In some cases, such as Slovenska Pojistovna, the preliminary offers have been rather vague.

[Podstupka] The FNM [Presidium] decided on the sale on 27 July, whereupon it published the terms of the tender. The economic ministers started discussing it a week ago, and it will take some time before the government decides on the sale. Even when one acknowledges the FNM's independence, should it not have been the other way round?

[Schmognerova] This course of action is in keeping with the law. The publication of the terms of the sale by the FNM was preceded by a decision of the privatization minister. From the practical point of view, however, such a course of action is not the most suitable one. If there is not sufficient coordination between the minister, the government, and the FNM bodies, the privatization process can be needlessly complicated and prolonged.

Ministers Revoke Decision on Bank's Privatization

AU2308091294 Bratislava PRAVDA in Slovak 18 Aug 94 p 2

[Article by "ip": "Privatization Only After Recovery; Ministers' Disagreement With the Sale of Slovenska Sporitelna Shares"]

[Excerpt] Bratislava—Yesterday's consultative meeting of economic ministers did not approve the decision of the National Property Fund [FNM] Presidium on the direct sale of SLOVENSKA Sporitelna [Slovak Savings Bank] shares.

The economic ministers unanimously recommended that steps to privatize Slovenska Sporitelna be taken only after the financial restructuring of this bank, which should be carried out by the end of this year. At a press briefing held during a break in the meeting, Deputy Prime Minister Schmognerova stressed the unique position of SLOVENSKA Sporitelna among Slovak banks. With its almost 90-percent share of individual deposits, it dominates the market for deposits and, in a way, abuses this position. Its bad credit portfolio will be adjusted with intervention from the state budget, but only if there is a guarantee that the resources invested will not only be paid back but also used for the set aims. The ministers recommended that not only the privatization of Slovenska Sporitelna as proposed by the FNM Presidium be halted, but also its privatization according to the privatization project approved by the previous government. This would mean that the originally contemplated inclusion of 15 percent of SLOVENSKA Sporitelna shares in the second wave of coupon privatization will not materialize. [passage omitted]

[Bratislava NARODNA OBRODA in Slovak on 18 August on page 2 carries a 400-word Vladimir Duduc report on the meeting of economic ministers. The report includes the following passage: "The interesting thing is that Privatization Minister Milan Janicina has already put his signature under the sale of Slovenska Sporitelna shares. But, because a direct sale to a predetermined owner is involved, a government meeting will have the final word on this issue. We inquired whether Milan Janicina attended the meeting of economic ministers and what his view was. 'Minister Janicina does not usually attend consultative meetings, and he did not participate in today's meeting, either. This should be understood as a critical observation of mine with regard to the minister,' Brigita Schmognerova said. 'State Secretary Gabriel Palacka, who deputized for him, backed the decision not to recommend the direct sale of Slovenska Sporitelna shares, but he opposed the revocation of the government decision on its privatization. It is understandable that he wanted a part of Slovenska

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Sporitelna's property to be set aside for the second wave of coupon privatization,' she added."]

'Delays' in Coupon Privatization Viewed

AU2308080994

[Editorial Report] Slovak newspapers on 19 August publish several items dealing with delays in preparations for the second wave of coupon privatization, which is scheduled to be launched on 5 September with the start of the registration of coupon books and investment funds.

Bratislava NARODNA OBRODA in Slovak on 19 August on page 3 carries a 700-word Igor Zvach article entitled "Preparation of Coupon Privatization (For the Time Being) Fraught With Problems."

Zvach says: "Originally, property worth approximately 80 billion korunas [Sk] was to be earmarked for the second wave of coupon privatization. The figure was subsequently downgraded, and the situation today is such that one can talk about Sk50 to Sk60 billion worth of property. But how much of this is really 'on the table' today? Let us browse through the document 'Preliminary Information on Preparation of Offer for the Second Wave of Coupon Privatization,' which Milan Janicina, minister for the administration and privatization of national property submitted to the 15 August meeting of the government.

"By 14 March 1994, 71 privatization projects from the second privatization wave had been approved by the Ministry for the Administration and Privatization of National Property [MSPNM], allocating shares worth Sk1.445 billion for coupon privatization. In the period between 14 March and 15 August 1994, a total of 105 decisions on the privatization of enterprises and state property participations were issued, providing for an aggregate offer of Sk12.8 billion for coupon privatization."

The fact that only about Sk14.3 billion worth of property has been approved for coupon privatization to date shows, according to Zvach, that most of the envisaged property will have to be approved in the remaining approximately three weeks before its launch. Moreover, in this brief period, it will be necessary to transform state enterprises into shareholding companies and to register them, Zvach says, pointing out that only five shareholding companies to be privatized in the second wave have been registered to date.

In concluding, Zvach observes that, in a recent conversation with NARODNA OBRODA journalists, Finance Minister Filkus "voiced his disenchantment with the delay in the preparation of the second wave of coupon privatization and blamed it on the professionally inadequately prepared privatization projects." Zvach wonders whether the current "time pressure" will help improve the quality of privatization projects.

Bratislava SLOVENSKA REPUBLIKA in Slovak on 19 August on page 3 carries a 350-word Stefan Mistrik report on a Movement for a Democratic Slovakia [HZDS] briefing in Bratislava on 18 August, which was addressed by Jan Kato, former chairman of the National Property Fund [FNM]. Kato is quoted as having said that the approved timetable of coupon privatization is "unrealistic" and that, "if the Moravcik Cabinet wants to be honest in its approach" toward prospective coupon holders, "it should postpone the date for starting coupon privatization." According to Kato, "it is impossible to achieve that the lists of shareholding companies, which are still nonexistent, be made public by November, when the preliminary round of coupon privatization is due to start." In his opinion, it is also "physically impossible" for the registration courts to register more than 200 shareholding companies in a single month.

The state of preparations for the start of coupon privatization is also the subject of a 300-word interview with Gabriel Palacka, state secretary at the MSPNM, by a "kn"-signed reporter in Bratislava SLOVENSKY DENNIK in Slovak on 19 August 1994 on page 2. The place and date of the interview are not given.

In the interview, Palacka confirms that only Sk14 billion worth of property has been prepared for the second wave of coupon privatization to date. He asserts, however, that "decisions totaling Sk38 billion are ready to be signed" and that another Sk12 billion worth of property, consisting of unsold shares from the first wave of coupon privatization that are held by the FNM, will be included in the second wave. Together, this represents Sk64 billion worth of property, Palacka says. According to Palacka, another Sk17 billion worth of property could be added by including in coupon privatization shares that were to be privatized by other methods but for which no buyer has been found, and another Sk10 billion by reducing the FNM's "permanent participation" in some companies, such as the gas industry.

Asked about current estimates of participation in coupon privatization, Palacka says that the participation of 3 million citizens is expected, based on poll results.

'Strike Alerts' Declared Over Privatization

AU2308132594 Bratislava SLOVENSKA REPUBLIKA in Slovak 20 Aug 94 pp 1-2

[Article by Stanislav Tomanek: "Will the Provisional Government Create Another Starvation Valley? Strike Alerts in Enterprises Earmarked for Privatization"]

[Text] Peculiar practices, bureaucratic methods, and, in particular, the unscrupulous selling off of enterprises within the framework of the second wave of privatization have made employees in a number of enterprises declare a strike alert. The strike alert in Skloobal Nemsova is now in its third month, and the work force of the Slavosovce paper factory is reacting similarly. Employees of the Povazske Cementarne Ladce intend to

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call a strike alert on 23 August. The more than 26,000 employees of VSZ Kosice are ready to resort to extreme forms of protest against the sale of VSZ shares by the National Property Fund [FNM]. Employees of the Slovnaft refinery are energetically protesting the FNM's decision to sell 51 percent of Benzinol shares abroad. Employees of ZTS Martin have come out emphatically against unbelievable privatization practices.

Employees and trade unionists in another 20 Slovak enterprises are also resolved to call a strike alert. People who have built the enterprises with their brains and hands are not indifferent to the appalling selling off of national property. A strike alert in Skloobal Nemsova resulted from the scandalous halting of the company's privatization by Jozef Moravcik's government. Vladimir Meciar's government approved Skloobal's privatization in accordance with the law, but its successors wanted, by means of scandals, to create the proper climate for the current misappropriation of property and the selling off of enterprises under the veil of privatization. A legal vacuum has set in at Skloobal Nemsova following the revocation of the previous government's decision. The company is going to waste, and its employees are calling in vain for 20 percent of its shares.

Cement Workers Standing Up for Their Rights

The work,force of Povazske Cementarne Ladce is ready to declare a strike alert on Tuesday. The sale of 67 percent of the company's shares abroad would make it possible, in fact, to liquidate another prosperous Slovak firm. Trade unionists in Slovnaft are protesting the covert liquidation of the Slovak refinery at Vlcie Hrdlo. The sale of Benzinol shares by the FNM poses a threat not only to the chemical industry, but also to the state budget. After the sale of Benzinol shares, nothing will prevent foreign firms from selling their own petrol and diesel at petrol stations throughout Slovakia. For the Slovnaft refinery, this will mean production cuts and the very acute threat of layoffs.

Panic at Slavosovce

Employees of the Slavosovce paper factory are desperately protesting against the virtual liquidation of the enterprise by its inclusion in coupon privatization. In this way, the enterprise will not receive any capital, and foreign capital will acquire this important firm for next to nothing through investment privatization funds. Trade unionists and the company's new management favor privatization by a shareholding company set up by employees. The old management, with the Economy Ministry's tacit consent, drove the company to ruin in a few years. There is no shortage of orders from Slovakia and abroad, and there is market demand for exercise books and other products from Slavosovce. The Vseobecna Uverova Banka does not accept government guarantees, however, and is actually liquidating the firm through its terms, which amount to usury. The trade unionists can no longer stand idly by and watch the indifference of bureaucrats at the Ministries of Economics and Privatization and in the local Vseobecna Uverova Banka branch. This is why they have called a strike alert. If the provisional government creates, by liquidating the paper factory, another starvation valley in the Roznava region, social peace will definitely become a thing of the past.

Government Moves To Privatize Arms Manufacturers

LD2308095694 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 0500 GMT 23 Aug 94

[Text] The transformation of Slovak state companies involved in arms production into joint-stock companies, with a 100-percent stake held by the National Property Fund, will be the first step leading to their privatization. Economy Minister Peter Magvasi made the announcement to journalists following consultations on problems concerning the rescue and privatization of arms manufacturers. Juraj Plesnik, state secretary at the National Property Administration and Privatization Ministry, added that rescue programs could only be implemented after the transformation.

Greens Align With Leading Opposition Bloc

LD2208171494 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1300 GMT 22 Aug 94

[Text] Representatives of the Slovak Green Alternative [SZA] have signed an agreement on cooperation before and after the parliamentary election with the coalition of the HZDS [Movement for a Democratic Slovakia] and the Farmers' Party of Slovakia [RSS]. As the chairwoman of the Slovak Green Alternative, Zora Lazarova, announced today, the document concerns help with the drafting and implementation of the HZDS environmental program.

Parliament Composition According to Poll Results

AU2308071994 Bratislava SME in Slovak 16 Aug 94 p 4

[Commentary by Ondrej Dostal: "'August' Parliament According to the FOCUS Poll"]

[Text] If the results of parliamentary elections conformed with the results of the public opinion poll conducted by the FOCUS agency in August, the composition of parliament would be as follows: Movement for a Democratic Slovakia [HZDS] plus Farmers Party of Slovakia [RSS], 47 seats; Common Choice, 26 seats; Hungarian coalition, 16 seats; Christian Democratic Movement [KDH] and Association of Workers of Slovakia [ZRS], 14 seats each; Democratic Union [DU], 13 seats; and Democratic Party [DS] and Slovak National Party [SNS], 10 seats each. When we think in terms of two camps, the first of which is made up of the present coalition parties, the Hungarian coalition, and the DS and the other of the opposition HZDS, SNS, and ZRS, the balance of forces would be 79 to 71 in favor of the former. The coalition's lead over the opposition is thus very

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narrow. If the ZRS decided to back the coalition, however, such an alliance would command a majority (93 seats), which would allow it to pass constitutional laws, and the opposition, which, in this case, would be made up of the HZDS and the SNS, would have 57 seats. In contrast to various previous polls, a possible HZDS-Common Choice coalition would not win an absolute majority. It would avail itself of only 73 seats and would need another partner—for example, the ZRS (together they would have 87 seats). In the event of the government coalition continuing in a composition similar to the present one, the so-called noncollectivist parties [KDH, DU, DS] would make up the strongest group in the coalition (37 seats), followed by the left-wing Common Choice coalition (26 seats) and the Hungarian coalition (16 seats).

Unemployment Rises to 14.54 Percent in Jul

AU2208124494 Bratislava PRAVDA in Slovak 19 Aug 94 p 3

[TA SR report: "How Many Jobless?"]

[Text] Bratislava—Labor offices in Slovakia registered 370,438 job seekers at the end of July, which means unemployment of 14.54 percent. The number of those unemployed increased by 10,390 since the end of June. Unemployment benefits were collected by 86,243 people. There are 33 job applicants for each reported vacancy. The district with the highest rate of unemployment was Rimavska Sobota, 27.13 percent, while Bratislava-City had the lowest rate, 4.28 percent.

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Prime Minister Comments on Proposed Property Tax

AU2308080794 Budapest NEPSZABADSAG in Hungarian 22 Aug 94 pp 1,5

[Interview with Prime Minister Gyula Horn by "V.I" on 21 August; place not given: "The Property Tax Is Not a Government Position"—first paragraph is NEPSZABADSAG introduction]

[Text] Gyula Horn made the following statement during his speech in Ivancsa on 20 August: "We declared in both our election program and in the coalition talks that we want a just distribution of burdens. The property tax is also part of this just burden. We do not want to hinder those who gain considerable income through their talent and diligence, but, unfortunately, this does not characterize everyone. These people should also contribute to the sacrifices..." Ivan Peto, chairman of the Alliance of Free Democrats [SZDSZ] was the first to criticize this statement, saying that no such thing appears in the coalition program; besides, the SZDSZ would not support this idea. This property tax is not supported by any opposition party either. In view of this reaction, we asked Gyula Horn on Sunday afternoon to tell us what made him come up with this proposal.

[NEPSZABADSAG] Mr Horn! Why did you come up with the idea of a possible property tax? What lies behind all this?

[Horn] Let me begin by making some detours in order to make people understand the issue. The ideas and guidelines regarding the supplementary budget for 1994 and the 1995 budget received a lot of criticism. In connection with this, I would like to point out that, for 1994, the government only decided on devaluating the forint by 8 percent. All the other positions adopted on 4 August must be coordinated with the social partners and the working groups of our parliamentary faction. In connection with the guidelines for 1995, a sole position emerged on 4 August, a position and not a decision, namely that the budget deficit will stand at about 450 billion-500 billion Hungarian forints [HUF]. At this 4 August government meeting, we asked for a series of supplementary material from the relevant ministries. I must say that, on the basis of our current knowledge, the statements according to which the population consumes too much is a simplified statement that can be misinterpreted, because the real income of the population did not increase in the first half of 1994, and the number of employees dropped. On the other hand, retail trade turnover dropped considerably in the first half of 1994, by some 7 percent, and population consumption makes up the bulk of this retail trade. I must also mention that consumer prices have been increasing at a quicker pace than stipulated by the former government. I have said all this in advance in order to show that I am open and I must be open to any idea that makes it possible for Hungary to gradually extricate itself from its current crisis situation.

[NEPSZABADSAG] In other words, "step by step" means that you do not believe in shock-therapy.

[Horn] Precisely so. I do not believe that anyone can solve the problems overnight, with shock-therapy. One can use shock-therapy, but the population would break from such shock-therapy.

[NEPSZABADSAG] You are against shock-therapy. However, it seems that you shocked the people in Ivancs with the idea of a property tax.

[Horn] Even before the elections, the Hungarian Socialist Party [MSZP] formulated the requirements of a just distribution of burdens. I can imagine a property tax in this framework, and this is how I formulated the issue in Ivancs. This is not a government position; this only means that this is also one of those ideas to which I am open. But let me also mention the things I cannot immagine: This property tax cannot include family houses, apartments, plots, and consumer goods. In a democracy, it is both the right and the obligation of a politician to share his ideas and problems with the citizens. This is such a problem: In this country, some people—and I do not mean here the honest small and medium entrepreneurs—accumulated property by sticking to legality, but did things in an unethical way; or perhaps the legality was also questionable.

[NEPSZABADSAG] If I understand you correctly, you would like to find means to break the economic abuses....

[Horn] Indeed, we should take a much firmer step against the black economy, tax evasion, and corruption, and we must accept the personal and material expenses involved in this. However, we should not have any illusions either: The system of economic and financial conditions also contributes to the prosperity of the black economy. As for the property accumulated in an unethical way, we cannot disregard its existence. It is possible to develop the technique of dealing with this issue, and the people demand this for a more just distribution of burdens. And this can be done in a way that does not reduce the desire for ventures. In connection with this will, I would like to add that it is my firm conviction that the budget for 1995 must also be part of the three-year economic policy program until 1997. This program should be a pro-venture and growth-oriented program, so that it tangibly eases the burden of people living from work.

[NEPSZABADSAG] Why did you not coordinate this property tax plan with Mr Peto? Why do you surprise your allies?

[Horn] A coalition partnership does not mean that one cannot think individually or one cannot present his ideas. A debate is useful. When an idea gets into the phase of implementation, an agreement is necessary.

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Finance Minister on Introduction of Property Tax

LD2208185294 Budapest Kossuth Radio Network in Hungarian 1600 GMT 22 Aug 94

[Report on interview with Finance Minister Laszlo Bekesi by Krisztina Antallfy; place and date not given]

[Text] Finance Minister Laszlo Bekesi was not surprised—at least that is what he claims—by the prime minister's 20 August announcement. According to Laszlo Bekesi, it is not likely that tax on individuals' property growth will be introduced next year. Krisztina Antallfy interviewed the finance minister.

[Antallfy] The introduction of a general property tax is not on the agenda, the finance minister said, since there is no suitable registration system for it, and the stimulation of development, investments, and accumulation is in the vital interest of the economy. Property growth is another matter since a significant proportion of incomes evade taxation and cannot be exposed even with stepped-up tax control, Laszlo Bekesi said.

[Begin Bekesi recording] This property growth-type taxation is nothing more than a supplementary form of taxation on secret incomes. I stress that it may be a form of it and its conditions are worth creating. Today they do not yet exist. But this tax is indeed among the government's ideas. [end recording]

[Antallfy] Asked whether Prime Minister Gyula Horn coordinated with Laszlo Bekesi before his announcement at the weekend, the finance minister said:

[Begin Bekesi recording] There was no need for this because the prime minister brought up this problem on the basis of the completed government program. This government program includes taxation in relation to property growth or an elaboration of this idea. So it is not a new element. The prime minister, however, did not say that it would be introduced in the short run, straight away. [end recording]

[Antallfy] When can the introduction of the property growth tax be expected? According to the finance minister, not now—but in the near future.

[Begin Bekesi recording] For the time being, I cannot fix a date for it. I do not think it will be introduced in 1995. [end recording]

HSP Says 'No Rift' in Government Coalition

LD2208121594 Budapest Kossuth Radio Network in Hungarian 1000 GMT 22 Aug 94

[Text] The government coalition coordination discussions have ended. Judit Laszlo reports from there.

[Laszlo] At the session of the coordinating council of the government coalition, mention was made of the weekend announcement by Prime Minister Gyula Horn raising the possibility of introducing a property tax. At the end of the session Ivan Petoe, chairman of the SZDSZ [Alliance of Free Democrats] continued to maintain his stand that in important matters like this the two coalition parties must coordinate first before they go to the public. According to Imre Szekeres, Hungarian Socialist Party [HSP] deputy chairman and leader of the HSP group of parliamentary deputies, there is no rift in the coalition government—despite what has happened—although the partners have drawn the appropriate lesson from this case.

Defense Ministry Official on Fewer Conscripts

LD2208221794 Budapest Kossuth Radio Network in Hungarian 2100 GMT 22 Aug 94

[Text] Recently, 21,000 conscripts joined the Army. The Defense Ministry spokesman recalled that, according to the planned reduction of the Armed Forces, the number of conscripts who began their service was 2,000 less than before.

The reduction is taking place primarily in the land forces. Lieutenant Colonel Lajos Erdelyi said that this was part of the Ministry's long-term plans. The reduction of the Armed Forces can lead to the liquidation of certain military installations or units. The spokesman stressed that the step did not effect the combat readiness of the Hungarian Army.

Democratic Forum Chairman Views Party's Future

AU2108184794 Budapest UJ MAGYARORSZAG in Hungarian 17 Aug 94 pp 1, 4

[Interview with Lajos Fur, chairman of the Hungarian Democratic Forum, by Sara Szeli; place and date not given: "A Democracy Can Also Turn Into Dictatorship"]

[Excerpts] [Passage omitted] [Szeli] According to many people, the Hungarian Democratic Forum [MDF] will not survive its election failure and it is in danger of falling apart. In your view, how true are these statements?

[Fur] It has been predicted many times that the MDF would fall to pieces. This has mainly been said by our opponents. [passage omitted] Undoubtedly, the party does not have a big mass but, in my view, people who have remained active members up to now will not be distanced from the party by anything or anyone. Our deputies represent issues that are in short supply in domestic political life. [passage omitted] These are the conscious representation of democracy and social market economy, and all these are in the interest of the great goal of establishing modern conditions for the survival of the Hungarians. The honest representation of the Christian values and the cause of Hungarianness will carry the party to victory. We have not been broken. Rather than leaving us, a significant number of people have joined the party in recent months. [passage omitted]

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[Szeli] How does the MDF wish to operate in opposition?

[Fur] The notion of constructive opposition is often mentioned. In my view, the term opposition stands very well on its own without an adjective; we strive to enlarge our voter basis so that we will be a governmental factor rather than an opposition. We have to act in legislation and in governmental work and support or oppose the various issues in a truly professional way, in accordance with the interest of the country's majority, thus hopefully also increasing the MDF's popularity. This would get the supporting basis for us which will vote for us at the next elections. I will obviously criticize [the government], sometimes quite toughly if necessary, in the name of justice, based on our views and conviction. If we see that some measures or proposals are in the true interest of the country then we will obviously support these. [passage omitted]

[Szeli] What kind of relations does the MDF wish to form with the opposition parties?

[Fur] We can only expect success if some kind of close and continuous cooperation develops between the opposition parties. The forthcoming autumn local government elections can be a very important phase, where we can only achieve success if the opposition parties work together and they possibly only set up one joint mayor candidate in every locality. This way, we will have a chance to achieve some success in the small villages, various towns, and perhaps even in Budapest. However, rather than limiting this kind of coordination to the local authority elections, we must also extend it to parliamentary work and legislation; moreover, I can imagine the possibility of continuous cooperation in the whole political arena.

[Szeli] The current government coalition is supposed to have been given a ticket for 12 years of leading the country. What do you, as an experienced politician, think about this?

[Fur] No one can see into the future; however, we will naturally do all we can to reduce the 12 years to four. I am very much afraid that the tensions brought about by the necessary economic measures—because they are bound to create tensions—the hastiness shown by the new government in the past month, and the explicitly political decisions like the one on the World Expo or the changes in the media, all indicate that it is not a professional, prudent, and considerate government that has taken over the country's leadership. These can cause smaller or bigger tensions in society which can even increase.

If this carries on the way it is now then the coalition will not have 12 years, it will be sufficient if it fills its four years—I emphasize, if it continues in the current way.

The Rules of the Game

[Szeli] How much does the country's population have to worry about this newly born democracy?

[Fur] It is impossible to create democracy out of dictatorship with dictatorial means because this will create a new dictatorship. However, in a democracy, it is possible to create a dictatorship with democratic methods, by adhering to the rules of the game. [passage omitted] Unfortunately, it is possible to create dictatorship out of democracy, in various ways: Through political restoration, by creating a constitutional dictatorship or, using a parliamentary absolute majority, by enacting anything according to wish. My answer is clear and unequivocal: Democracy can indeed be taken away through democratic means. This is sad.... However, it is comforting that democracy and its institutional system has come to strength in the past four years and its abolition or destruction would attract much reaction and many kinds of countereffects. Therefore, everyone has to be very careful about how to touch the bases of democracy. I trust that this will not happen.

Geza Jeszenszky Views Democratic Forum's Future

AU1908173594 Budapest MAGYAR NEMZET in Hungarian 19 Aug 94 p 3

[Interview with Geza Jeszenszky, former foreign minister and currently an MDF parliamentary deputy, by Oszy and Toth in Korosladany on 18 August: "We Need A Lasting Opposition Cooperation"—first paragraph is MAGYAR NEMZET introduction]

[Text] After its election defeat, the Hungarian Democratic Forum [MDF] should act rather than argue—the former foreign minister, Geza Jeszenszky, has told MAGYAR NEMZET. The MDF parliamentary deputy thinks that the MDF should develop closer cooperation with the other opposition parties, and not only for the duration of the local government elections. Jeszenszky met with local MDF leaders in Korosladany on 18 August and then participated in a forum, where he spoke about the future of his party. Jeszenszky gave an interview to MAGYAR NEMZET on 18 August.

[MAGYAR NEMZET] What next, MDF?—was the title of your lecture. What do you think about the future of your party?

[Jeszenszky] We have been dealing with this issue from the beginning, and especially since Jozsef Antall's death, so this issue is not closely connected with the elections. I think that the MDF must return to its former self prevailing in 1988-1989, and it must turn into a party that criticizes the state socialist trends that are currently emerging, but it must be a party that provides an alternative at the same time. However, it is not our goal and it is not desirable to have an MDF only busy with criticizing other parties and the government. We must offer a different way and a different program in order to regain our lost supporters by 1998. It must be our major task to be able to appeal to every strata of the population. I find it extremely important that, following its election defeat, the MDF should act rather than argue.

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[MAGYAR NEMZET] Are there any such developments in the party?

[Jeszenszky] Everyone now thinks that we should forget the election defeat and there is no sense in seeking scapegoats. I would also welcome such a willingness to act at our next national meeting.

[MAGYAR NEMZET] What do you expect from this meeting? In your opinion, who will be the new MDF chairman?

[Jeszenszky] It is impossible to predict who the 500 delegates will vote for. I hope that they will not question the role of the leaders who made up the backbone of the party in 1988-1989. However, we must accept that the 1989 program is no longer valid and is no longer topical, and we must now work out an opposition program and elect a leadership that is capable of regaining our lost supporters.

[MAGYAR NEMZET] Can we expect any serious cooperation among the opposition parties?

[Jeszenszky] I have always been of the opinion that a fusion of the parties is justified in the long run. I would prefer the British or the U.S. model, but Hungary is still far from a bipolar model. In the future, the opposition should closely cooperate, and not only during local government elections.

RMDSZ's Marko on Convention, Budapest Stance

94CH0364A Bucharest ROMANIAI MAGYAR SZO in Hungarian 21 Jul 94 pp 1, 4

[Interview with Bela Marko, chairman of the Democratic Union of Hungarians in Romania, by Attila Bogozi; place and date not given: "A Change of Strategy—Why?"]

[Excerpt] [Passage omitted] [Bogozi] We are talking about the RMDSZ [Democratic Union of Hungarians in Romania] strategy and about changing it. I think we should have defined the meaning of strategy at the very beginning.

[Marko] It is important indeed to clarify this because strategy does not simply mean goals. The goal of Transylvania's ethnic Hungarians is to be able to survive here in Romania as an ethnic Hungarian collective, and to preserve and develop further our self-identity, our linguistic, historical, and cultural identity. And what we regard as a suitable framework for preserving our self-identity—the various forms of autonomy, in other words—may also be perceived as a goal. At this moment the RMDSZ does have such goals, and there is also agreement within the RMDSZ on the framework within which we feel that our self-identity would be guaranteed. But strategy, to my mind, is the sum total of means or the road leading to the goal.

[Bogozi] The RMDSZ had a strategy also in the period just ended. A part of that strategy was to be in opposition. But it is likewise true that cooperation with the opposition, especially on issues directly affecting us, is not exactly serene.

[Marko] The RMDSZ is in opposition because, in its opinion, the ruling majority does not want the democratic framework that would be suitable for us. Universal democratic principles and the objectives of a rule-of-law state are what links us primarily to the Democratic Convention, and in part so do our particular national objectives. After all, also the Democratic Convention has acknowledged in principle that the minority question ought to be solved in accordance with the spirit and letter of the Gyulafehervar [Alba Iulia] resolutions. On the other hand, it is undeniable that we have not yet reached the point where the Democratic Convention supports us unanimously in the debates on the wording of legislation or in the voting on the bills. Specifically our experience of the debate on the education bill was fairly bad. Unfortunately, we failed to really convince the Democratic Convention that the education bill was of key importance to us, besides being an important test of our democracy. There were differences of opinion. And although a part of the opposition honestly supported us in the voting on the bill, other members of the opposition were absent or abstained from voting, and there were quite a few who voted against us. From this, too, we have to draw certain conclusions and formulate certain consequences. We have to examine what our future relationship with the Democratic Convention will be like, without denying even for a moment that cooperation is essential. There is need for the Democratic Convention, but it will be capable of functioning effectively only if it, too, seriously elaborates its strategy. For its goals are clear or at least are outlined in general. But it is entirely unclear by what means the Democratic Convention hopes to attain its goals. It is impossible to wait for the 1996 elections; a change must be brought about before then. One possibility, about which there have been hints in recent months, would be to change the current ruling coalition, either by splitting off the ultranationalist parties from the ruling party or by forming a new coalition. The point here is not that such nationalism is not very strong within the ruling party itself, but that it is the extremist parties' sole program and justifies their existence. The other possibility would be to advance the date of the elections. Both possibilities ought to be analyzed. These are two separate strategies, because each requires different means. In the first case the ruling coalition has to be viewed in its parts; in the second case, it is necessary to relate to the ruling coalition as a bloc. The trouble is that the two conceptual plans clash within the Democratic Convention—and sometimes even within individual parties—and that creates confusion. So far as our relationship with the Democratic Convention is concerned, it is fragile even without such confusion and is liable to change at any moment. For it is impossible that specifically some of our allies should fail to support

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our educational demands that have been discussed, debated and recognized in principle by everyone. If the interests on a minority issue are polarized as Romania versus ethnic Hungarian interests, if the opposition's unity does not survive and instead we are being swept toward Romanian-ethnic Hungarian confrontation, then we have to re-examine what actually is happening here.

[Bogozi] Since we are discussing strategy and its change, besides the relations between ethnic Hungarians and Romanians we ought to fit into the whole picture also the questions of relations between Hungary and the ethnic Hungarians. The more so because, to our knowledge, Prime Minister Gyula Horn has sent you and others those parts of the Hungarian government's program that pertain to us. What is your assessment of those parts?

[Marko] We are now studying and preparing an analysis of those parts of the Hungarian Government's program. I must say that, in my opinion, the program places due emphasis on the question of ethnic Hungarians beyond Hungary's borders. I believe it is important to point out that, in the course of forming their own views, the Hungarian Government and Hungarian foreign policy wish to take into consideration the views of the legitimate organizations representing the interests of ethnic Hungarians beyond Hungary's borders. Another basic principle is that the institutional nature of the maintenance of relations must be preserved and even strengthened. That also explains the importance of the debate held in recent weeks and months on the role of the Office of Ethnic Hungarians Beyond the Borders, as well as of the final decision to have the prime minister's political state secretary oversee that office. In my opinion, the person of Csaba Tabajdi as that state secretary provides further reassurance. He is a recognized expert on, and is also politically committed to, the problem of ethnic Hungarians living beyond Hungary's borders. We will still have amendments to, and proposals concerning, the other basic principles contained in the government program. After all, there is the matter of a basic treaty between Romania and Hungary as it relates to the situation of the ethnic Hungarians living in Transylvania. Good neighborly relations and the settlement of the ethnic Hungarians' situation in Transylvania are closely linked and probably could not even be separated. In sum, the government program provides a framework of basic principles for a settlement, and for ensuring that our relations with the Hungarian government, and with Hungarian institutions of importance to us, are suitable.

New Chief of Hungarian Radio Interviewed

94CH0362A Budapest MAGYAR NEMZET in Hungarian 21 Jul 94 p 7

[Interview with Hungarian Radio President Janos Sziranyi by Lilla Rist; place and date not given: "News Must Be Based on Facts"—first paragraph is MAGYAR NEMZET introduction]

[Text] As of 20 July, Janos Sziranyi is the president of Hungarian Radio. His commission will be effective until the Media Law's enactment. Until then, he will have to direct an institutions that has been the source of so much warfare in the recent past.

[Rist] Why have you accepted a position entailing duties that are far from ordinary?

[Sziranyi] I have received a vote of confidence of a kind that I could not have refused to accept in good conscience. A majority of my colleagues expressed their willingness to accept me as their chief. That, I think, is professional recognition one could not reject. My task will certainly be difficult, but I will have to work in an environment with which I am familiar. I believe that it is the staff members, rather than the president and managers, who make for a good radio network. And if favorable conditions are created for the staff members, then there is nothing to fear, and perhaps even politics will accept those conditions. Considering the size and current state of the institution, we certainly will have our work cut out for us.

Suspended Party Membership

[Rist] How long will you be in this position?

[Sziranyi] My acceptance can be valid only until the Media Law's enactment. Anything beyond that is merely guesswork.

[Rist] Would you accept this position after the Media Law's enactment?

[Sziranyi] Yes, if the radio remains a public-service medium the way I would like, if I prove suitable for this task, if I retain the confidence placed in me, and if I am needed, perhaps specifically because of my equalizing role. Although I would also be very glad to resume my own profession. As a musician, I have been doing and directing entire Hungarian Radio's musical editorial work since 1982. For several years I was in charge of the Musical Main Department, and also the so-called Bartok Radio experiment has been undertaken on my initiative. There might be important tasks for me there as well.

[Rist] Do you belong to any political party?

[Sziranyi] I have been a member of the MSZP [Hungarian Socialist Party] until today. Upon receiving my letter of appointment, however, I have suspended my party membership. I do not know what is the difference between being a member of the MSZP until the end of last year, or a member of the MSZMP [Hungarian Socialist Workers Party] until 1989, and then assuming public office, after which nobody ever asks what one had done earlier.

[Rist] How can freedom of the press and public-service radio be ensured until the Media Law's adoption?

[Sziranyi] There are very many aspects to that question. A balanced and correct programming regime must be in place, one that offers equal scope to the political, cultural, and musical programs of different persuasions. In

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this respect we have nothing to fear, because most staff members at Hungarian Radio have outstanding qualifications and clearly understand that professional integrity and political correctness must prevail in the programs. If we give them room, then political integrity can be complete.

[Rist] Will Hungarian Radio have a supervisory board?

[Sziranyi] I have not heard of any such plans, and I myself will not initiate the establishment of a supervisory board. But I would like to set up an advisory body consisting of persons who have a decisive influence on Hungarian intellectual and artistic life, to help us in our work with their advice and professional authority.

[Rist] Will there be ethics audits?

[Sziranyi] I am convinced we have to work well, rather than occupy ourselves with ethics audits. But there will be economic audits.

[Rist] What will become of Hungarian Radio's dismissed employees?

[Sziranyi] As our very first action, we intend to issue two statements. In one of them, in the name of the Hungarian Radio management, we will apologize to all those who have been wrongfully dismissed. Everything that happened in connection with the dismissals was a sham. Had there really been a retrenchment, its basic principles would first have been defined. We will discontinue the civil lawsuits and withdraw the appeals from the judgments of the lower courts, because the appeals have now become meaningless. Hereafter it will be necessary to reach a settlement with each employee separately. Our standpoint is that their employment has not ceased even for a moment, and that they have to be reinstated in their original rights. In the other statement we will request every personality in Hungary's intellectual, artistic and cultural life to stand behind us, because Hungarian Radio cannot dispense with the support of outstanding scientists and artists.

[Rist] Will the *168 Ora [168 Hours]* and *Gondolatjel [Dash]* programs be restored?

[Sziranyi] We would like to see them restored and will propose their restoration. But the final decision will depend on that multiparty agreement. I personally am strongly in favor of restoring those programs.

The Yardstick: Suitability

[Rist] How have you survived the breakdown of the multiparty talks and the opposition's walkout from the [National Assembly's] Cultural Committee?

[Sziranyi] It was painful. We went there in the belief that we would be fighting an intellectual battle. That we would outline what we were planning to do and what we would like to do. And that the opposition would have opportunity to do likewise.

[Rist] What can you say to reassure the opposition?

[Sziranyi] I am able to guarantee my own professional dedication and our faith in our profession.

[Rist] Hungarian Radio's Council of Public Employees preferred you over other candidates. In your opinion, what is the reason for this vote of confidence?

[Sziranyi] I have been a manager at Hungarian Radio, although at various levels of management, for the past 13 years. I think I have earned that vote of confidence with something. It is very difficult to talk about this because it is a question of management as well as a personal question. But one thing is sure: even among conductors I have always liked the ones who bring about harmony through the talents of their musicians, and not with the force of their own batons.

[Rist] What must be solved at the institution by all means, even before the Media Law's enactment?

[Sziranyi] Once the wounds have healed, professional work will have to be switched onto a new track, and conditions will have to be put in place enabling staff members to put their knowledge to good use. That will certainly require correction of the programming structure, and clarification of managerial functions. The objective is to be able to ensure the autonomy of our individual professional workshops. To that end we will indeed be assigning new managers. But we will bear in mind who is the most suitable for the given position, rather than whom to replace. We will strive to appoint persons acceptable to the collectives. Because the current situation, when managers and subordinates are not on speaking terms, is horrible.

[Rist] What will become of the old team of managers?

[Sziranyi] Several of them have already left, because they probable felt that they had been compromised. There will be managers who will not be occupying managerial positions in the coming months. But they will be able to continue their professional work at Hungarian Radio. According to the Public Employees Law, every public employee has a basic classification, a basic function, a profession. That he may continue. But a managerial assignment may be withdrawn at any time, without having to justify the withdrawal.

[Rist] Will there be dismissals?

[Sziranyi] No! That would be possible only if internal economic audits shed light on facts leading to the institution of disciplinary proceedings or proceedings for violations of administrative regulations. In such cases dismissals are mandated by law.

[Rist] How familiar are you at present with Hungarian Radio's economic situation?

[Sziranyi] We have hardly been able to gain an overview during the past few days. With the director for economic affairs, I have spent very much time attempting to survey

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Hungarian Radio's real economic situation. I think that within two weeks we will have a clear picture of these matters. It will also become clear how much assistance we will be claiming and what internal resources we will be able to reallocate to ensure the continuity of our work.

[Rist] When do you expect an audit by the Auditor General's Office?

[Sziranyi] For the time being I am unable to tell you when exactly the next audit will take place, but I am eagerly awaiting its outcome. The last such audit was held at the end of 1992, when administration of the institution's finances was rated good and beyond reproach. I am hoping that our rating will be the same also now.

[Rist] A serious professional debate has unfolded in recent months on whether two or three radio channels are needed. What is your opinion on this question?

[Sziranyi] In contrast to the participants in the debate, I have said earlier and am saying also now that it is too early to be thinking about this. It is necessary to decide what public-service functions Hungarian Radio must retain; and what are the functions that cannot be transferred to other broadcasters and only we are able to perform. It is certain that competition from commercial radio stations is necessary. Not only legislators, but also economic experts and Hungarian Radio must aid the development of commercial radio broadcasting. But at present we do not yet know which public-service functions these new channels will be able to assume. After all, every radio station does not have to be a chattering, competing disco radio. Before this has been decided, it would be dangerous to dismantle Hungarian Radio. That could be injurious to entire Hungarian culture, to Hungarian society as a whole. Definition of the meaning of public-service radio must be a part of the media bill's debate, and the number of Hungarian Radio's channels will have to be determined accordingly.

Preparations for the Media Law

[Rist] What is your role in drafting the bill?

[Sziranyi] My associates and I have a very important role in preparing legislation. Already next week, we will be joining the work of preparing the groundwork for a bill on the freedom of radio and television broadcasting.

[Rist] What criteria do you and your associates set for news programs?

[Sziranyi] The fundamental criterion is that news must be based on facts. The facts always speak for themselves. That is how simple all this is. The trouble always begins when the anchor or the reporter speaks and adds his own personal opinion.

[Rist] Will changes be necessary in the *Kronika [Chronicle]* program?

[Sziranyi] That is a professional question which foreseeably Kossuth Radio's new management will solve.

[Rist] Does this mean that Jozsef P. Szabo, Kossuth Radio's editor in chief, will have to go?

[Sziranyi] I am unable to give you an accurate answer now. At present we are merely surveying which experts could come into consideration at all to head the individual special fields during the transitional period—i.e., until the Media Law's enactment. There will be no appointments, only assignments. We have no candidates for the time being. There will be candidates only when we come to an agreement with the present team of managers as well as with the persons we ourselves consider suitable, and if also Hungarian Radio's Council of Public Employees gives them a favorable recommendation. That will require at least 10 more days.

Opposition Parties on Selection of Media Chiefs

94CH0362B Budapest MAGYAR NEMZET in Hungarian 21 Jul 94 p 5

[Unattributed report on statements by spokesmen of the Federation of Young Democrats, the Hungarian Democratic Forum, the Independent Smallholders Party, and the Christian Democratic People's Party; place and date not given: "The Opposition Parties' Opinion of the Media Chiefs"]

[Text]

Tamas Deutsch (Federation of Young Democrats)

"With the appointment of the media presidents, the fact against which we fought with all our might has become final: instead of media peace, the media war will continue. The government made its decision without a political consensus, therefore the coalition must bear full responsibility," said FIDESZ [Federation of Young Democrats] Deputy Chairman Tamas Deutsch, in response to a question put to him by our reporter. The deputy chairman said it was incredible that Gyula Horn had signed the submission to the president of the republic while the process of gathering comments and seeking agreement was still in progress. Thereby Horn had made further talks with the opposition parties impossible.

The FIDESZ Executive Committee is of the opinion that the appointments also highlight the weakness of the SZDSZ [Alliance of Free Democrats] in the coalition. The Free Democrats, it seems, are incapable of assuming the role of a political check and balance. As Tamas Deutch pointed out, Ivan Peto said in vain that the prime minister had made a mistake, because the prime minister has refused to admit that. One hour after the government's installation, moreover, the MSZP [Hungarian Socialist Party] violated the terms of the coalition agreement, in that Gabor Kuncze had not countersigned the submission of the appointees' names to the president

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of the republic. According to Tamas Deutsch, this demonstrates the weakness of the system of guarantees; at the end of the coalition agreement there is perhaps a secret clause that reduces the guarantees to so many empty words. Since Janos Sziranyi, Hungarian Radio's new president, is a member of the MSZP, the government is continuing the worst possible tradition with these appointments. Earlier, when a member of the MDF [Hungarian Democratic Forum] had been appointed chief of MTI [Hungarian News Agency], the Socialists and the Free Democrats were the ones who protested the loudest, the deputy chairman of FIDESZ recalled. According to Deutsch, with this move the ruling parties have annulled the principles they were advocating during the past four years, "although it is also possible that power deprives one of political perspicuity."

"A personal guarantee would have been even more important in the absence of a Media Law. The most important now will be the government's intention when debating the media bill. Whether it will be willing to create objective, independent public-service media by means of statutory guarantees," the deputy chairman of FIDESZ concluded.

Gyorgy Fekete (Hungarian Democratic Forum)

When interviewed by MTI, Gyorgy Fekete said that the head of state's action had been expected more or less; nevertheless, he personally was astonished by it. The MP [member of parliament] reminded the interviewer that earlier the MDF had asked Arpad Goncz to be consistent "in his refusal to sign." This move has sent the wrong message before the debate on the media bill, he added.

Jozsef Torgyan (Independent Smallholders Party)

"I learned weeks ago about the decision to appoint new top managers at Hungarian Television," Independent Smallholders Party Chairman Jozsef Torgyan told our reporter. Confirming his earlier statements, the party chairman pointed out that, several weeks earlier, one of the newly appointed top managers of Hungarian Television had written to the political parties asking their opinion regarding his future scope of authority. "Since the receipt of that letter, it was obvious that the six-party talks would merely serve to legalize the appointments," he said. According to Torgyan, it is not the task of the president of the republic to oppose the will of a mammoth coalition, with a two-thirds majority in Parliament, when it violates the rules of the game of six-party parliamentary democracy. Earlier, in the case of Elemer Hankiss and Csaba Gombar, the president had opposed the will of the coalition headed by the MDF, but he cannot be called to account now for having done so. All this can be done only when an appointment violates statutory regulations.

For the time being Jozsef Torgyan does not know whether in the "new" media his party will have more or less scope than before. That, he said, will be decided during the initial, politically tense period. The Smallholders Party would raise its voice, he promised, if the new media chiefs resorted to similar moves as the dismissals at Hungarian Radio, which the Smallholders Party had condemned. For the time being, however, the media chiefs must be given the benefit of the doubt.

Gyorgy Giczy (Christian Democratic People's Party)

"The six-party talks on the future chiefs of Hungarian Radio and Hungarian Television can only be called a farce. The opposition parties could have had only a walk-on role in talks on questions that had already been decided," Giczy told MTI. The media expert called attention to the fact that the opposition received several "slaps" in the process of gathering comments and attempting to reach agreement. The first "slap" was that Gyula Horn had signed the submission of the appointees' names to the president of the republic already during the talks. The release of the coalition's apology was followed by another "slap," when the [National Assembly's] Cultural Committee questioned the candidates without a six-party consensus. The coalition, the prime minister and the head of state must bear full responsibility for all this, the MP emphasized. He also mentioned that the president of the Republic, after his discussion of media matters with the delegates of the four opposition parties, turned to the reporters who were present and requested them not to give the meeting detailed coverage.

Attempts To Compensate for Lost Danube Water

94CH0360A Budapest MAGYAR HIRLAP in Hungarian 20 Jul 94 p 5

[Article by Janos Barcsi: "We Are Producing Water With Electricity"]

[Text] A wisecrack circulating among experts regarding Hungary's policy on water and electric power states: "The difference between Slovakia and Hungary is that the Slovaks are using water to generate electricity, while the Hungarians are using electricity to produce water."

The 30 diesel pumps installed in the Dunaremete, Dunasziget, and Dunakiliti area will be started up and placed in trial operation at noon today. They will be delivering 15 cubic meters of water a second into the flood plains of the Szigetkoz. Yet the water delivered by the pumps will be far from adequate—according to basic estimates, at least 40 cubic meters [per second] would be needed to adequately recharge the dead stream branches. Admittedly, the Slovak side had promised this spring to increase by 40 cubic meters [per second] the discharge into the Moson arm of the Danube, but it has failed to live up to its promise. Therefore the Hungarians—after nearly a year of consultations—have abandoned the plan to install a sill and have opted for pumping instead. A road nearly 10 km long had to be built along the Old Danube to transport the equipment to Dunasziget. Some of the pumps are more than 10 years old, and their fuel

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consumption is 13 or 14 liters of diesel oil per hour. According to preliminary calculations, the daily cost of pumping will be 2.5 million forints.

Melyepterv [Civil Engineering Planning Enterprise] Chief Engineer Miklos Hertelendy—he designed, among other things, the water intake works of the Paks Nuclear Power Plant—believes that the solution using diesel pumps is also environmentally harmful.

As the generating capacity of the Bos [Gabcikovo] power plant is variable, the plant is able to discharge more as well as less water than the Danube's average or momentary rate of flow. Two storage reservoirs, one upstream and the other downstream, are an essential requirement for a power plant of this type. Because this requirement is not currently satisfied, the discharge downstream from the power plant is subject to sudden changes. As a result, when the Bos power plant is shut down, the Old Danube receives only as much water as the momentary runoff. In the present situation, the amount of water flowing in the stretch downstream from the power plant is substantially less than what it could have been if also a downstream storage reservoir had been built. A further lowering of the Danube by 1.0 or 1.5 meters below its current level could put out of commission, for instance, the surface waterworks that supplies Budapest, or the intake works in Gyor or Vac; it could also jeopardize intake at the Csepel and Danube thermal power plants, and at the Danube and Paks nuclear power plants as well. Low water along the Danube could also cause a lowering of the ground water. Miklos Hertelendy knows from experience how complicated it is to install a pumping station of this size, because the conditions for obtaining water rights have become much stricter. And he doubts very much that all the environmental conditions for deploying the diesel pumps have been met. In his opinion, suitable solutions for the storage, resupply and drawdown of diesel fuel in the Szigetkoz are lacking at present. Of course, the problems could be solved, but only at horrendous cost.

Miklos Hertelendy rates the solution employing diesel pumps as an enormous professional blunder, because water at a suitable level is available a few kilometers upstream and could be directed to the dead branches of the Danube, either through pipes or canals. This would require just hydraulic engineers who could solve the problem as a "university assignment." The whole thing would be merely a question of building dikes and digging ditches, and of earthwork and concrete work. The expert views pumping as a misconceived victory for environmental protection: diesel pumps are being used to lift the Danube's water to a height from which [farther upstream] it could flow freely, without wasting energy. Had a sill been installed, the water would be flowing by itself into the dead branches in the Szigetkoz. But this way—since we are keeping the Danube's water level low, and are lifting the water ourselves—we are enabling the Slovak side to generate electricity with the same water a few kilometers upstream. Namely, the water drained into the Moson arm of Danube arrives already now on Hungarian territory after driving turbines; and, according to the Slovak side's development plans, the 200 to 300 cubic meters [per second] that is to be let into the Old Danube eventually would likewise be arriving on Hungarian territory after passing through turbines at Dunacsuny [Cunovo]. In other words, power would be generated also on this stretch before the water was transferred. The storage reservoir at Nagymaros has not been built, and therefore the Danube's average water level is much lower than had been expected. This, too, makes the generation of additional power at Bos possible.

In Hertelendy's opinion, the often mentioned final solution—that of replacing the diesel pumps with electrical ones—would not produce any meaningful change, because electricity in Hungary is generated mostly in oil-fired thermal power plants. Consequently, the same amount of fuel oil would have to be used in Szaszhalombatta as the amount of diesel oil now being burned to drive the pumps in the Szigetkoz.

Government Danube Barrage System Opposed

94CH0360B Budapest MAGYAR HIRLAP in Hungarian 20 Jul 94 p 5

[Unattributed article: "Movements Oppose Government Plans on Gabcikovo"]

[Text] On Thursday, representatives of several environmental movements and of FIDESZ [Federation of Young Democrats] will debate the government's plans regarding the system of barrages. The opponents of a compromise with Slovakia hope to formulate at the meeting "a program for defending the Danube."

Twenty domestic green movements and, among the parliamentary parties, FIDESZ have indicated so far their intention of attending the meeting that is being organized by the Danube Circle. The organizers decided to hold the meeting after the prime minister and members of the government had issued statements urging a compromise in the controversy over Bos [Gabcikovo]. According to Janos Vargha, the Danube Circle's managing director, a possible compromise with Pozsony [Bratislava] would not serve Hungary's interests. The movements are hoping for a favorable judgment from the International Court of Justice at The Hague. Therefore they are demanding a continuation of the policy to date on the system of barrages, and implementation of the parliamentary resolutions that are in force.

"People who had been committed before 1990 to building Bos-Nagymaros are now in a position to make decisions," said Zoltan Illes, FIDESZ shadow minister for environmental protection, at a party's news conference yesterday. FIDESZ has joined the environmental movements' initiative because it considers their concerns as well founded. In his opinion, hopes attached to placing Dunakiliti in operation are futile. The deputy

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chairman of the Young Democrats believes that Hungary would be vulnerable even after filling the storage reservoir. At the same time, such a step would project the suspension of the cofferdam's dismantling at Nagymaros.

Fidesz Criticizes Government Environment Program

94CH0358A Budapest UJ MAGYARORSZAG in Hungarian 20 Jul 94 p 5

[Unattributed article: "The Danubesaurus May Rise Again; Fidesz Says Government Environment Plan Useless"]

[Text] "Although they contain acceptable elements overall they are, for the most part, difficult to interpret and even contradictory to the point where they are not even suited for debate." This was how Balazs Medgyesy summed up the opinion formed by the Fidesz [Federation of Young Democrats] environment cabinet about the environmental protection provisions of the government program at yesterday's news conference. "One of its pervasive problems is that, in general, it focuses not on prevention or reducing pollution, but rather on alleviating the damage caused by pollution. This is evident, among other things, in the way the draft lays out its approach to waste management: the program calls for the closure of unlicensed dump sites and the establishment of new and modern trash deposit facilities. Such facilities are needed, of course, but we should also not ignore the fact that in addition to the "stray" dumpers there are also numerous licensed trash collectors who fail to live up to the regulations, nor the enormous construction costs involved in building modern disposal sites, warned the cabinet member.

Vice chairman Zoltan Illes cautioned against the possible closure of the Environmental Management Institute. As he put it, doing so would cause the Ministry for Environmental Protection and Regional Development to be left without an institution of support which it vitally needs to help with the drafting of regulatory statutes. He called attention to the importance of ratifying the Rio Agreement as soon as possible, as well as to the often cited danger that unless a certain portion of the Phare subsidy, which can be used to help replace the capital city's bus fleet, for example, is committed by the end of the year, it may be lost.

With respect to the issue of the Bos-Nagymaros dam project, the vice chairman thought it was a discouraging sign for Laszlo Pal and Imre Szekeres to have conducted negotiations in Slovakia that went beyond mere party-level consultations, even before the new government was formed, apparently aimed at filling up the reservoir at Dunakiliti. The explanation, i.e., that this would put the key in the hands of the Hungarian side, in other words, that we would have control over the flow of the water, is unacceptable in Fidesz's view, as Dunacsuny is further up the river from Dunakiliti. Hence with the facilities built there they could "turn off the faucet" at any time. Moreover, filling up the Kiliti reservoir would lead to contamination of the underground water tables over an enormous areas, destroy drinking water reserves, not to mention the fact that it would lead us one step closer to the completion of the Nagymaros "masterworks," stressed the vice chairman, adding that the MSZP's experts are considering withdrawing a petition currently pending before the Hague Court.

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Prime Minister Pawlak Views Ties to Slovakia

AU2208172294 Bratislava PRAVDA in Slovak 18 Aug 94 pp 1-2

[Interview with Prime Minister Waldemar Pawlak by Jan Balaz in Warsaw; date not given: "It Will Take Years Before Society Feels the Positive Changes"]

[Text] Slovak Prime Minister Jozef Moravcik arrives today for an official visit to Poland. Shortly before the visit, we asked Polish Prime Minister Waldemar Pawlak for an interview.

[Balaz] How do you assess the present level of Polish-Slovak relations?

[Pawlak] A number of direct contacts between representatives of the two governments took place during the current government's term of office. The latest specific example confirming that mutual relations have become more dynamic is the visit by high-level Polish Government representatives to the High Tatra, where they met with their Slovak counterparts. Those meetings resulted in the preparation of a whole package of international agreements, most of which will be signed during Prime Minister Moravcik's visit to Poland. Another positive feature is the recent opening of a number of new border crossings. I am convinced that this and the implementation of the free trade zone agreement establish prerequisites for more frequent contacts between businessmen and also between ordinary citizens of the two countries.

[Balaz] Is it possible to say, then, that no problems exist in mutual relations?

[Pawlak] I think there really are no serious problems and that matters that are at the moment at the center of our attention will be resolved to mutual satisfaction.

[Balaz] The issue of ethnic minorities is a sensitive area today. From time to time, voices of discontent can be heard from both sides of the common border.

[Pawlak] In that case, we must look for solutions that are just but, at the same time, look toward the future. We have no indications of any more serious tension in this sphere. It is necessary to make sure that cooperation prevails over possible doubts and anxieties.

[Balaz] Poland is the first postcommunist country to have reached the proverbial economic bottom, and, according to statistics, its economy is now growing at a rate of more than 4 percent. There is no doubt that the preceding governments also deserve some credit for this, but some politicians contend that the foundations were laid by Balcerowicz's method of shock therapy.

[Pawlak] There is, naturally, no simple answer to this. Before all of these processes are thoroughly analyzed, many scientists will write their doctoral theses on this topic and will build their careers on it. It needs to be said that, after 1990, we had a period when the economy was plummeting and unemployment soared to 15-16 percent. Today there are clear signs of recovery, and the economy is growing, but it will take years before the situation changes to such an extent that the majority in our society will feel those positive changes. The high level of unemployment is the most serious issue at present. One solution to this problem lies in increasing industrial output and exports and in the creation of jobs associated with this. If I were to sum up the situation in Poland, I would say that it has stabilized, inflation is going down, and production is growing, but an overall improvement will still require plenty of work and effort.

[Balaz] In last year's election campaign, your Polish Peasant Party (PSL) claimed that one of the new government's main tasks would be privatization. The only thing needed to set the whole process in motion is your signature under a list of selected enterprises. What is the cause of the delay?

[Pawlak] As for the privatization processes, they are proceeding favorably, on the whole. We follow the principle of selling effectively and well. The proceeds from privatization for the state treasury must be worthwhile. In this context, we must find answers to a few questions of principle. The process of large-scale privatization, its idea, is tied up with the establishment of large investment funds, in which shareholders would be considerably scattered and in which, as a result, the majority could be acquired by groups that may enter those funds. In the interest of the whole economy, it is necessary to resolve some practical issues, to guarantee a sufficiently wide distribution of shares, and to prevent the emergence of tendencies that might cause serious problems in the future.

[Balaz] Poland, like Slovakia, has a coalition government. We know from our own experience that relations within a coalition are not always ideal.

[Pawlak] The main issue is to realize projects that are important from the viewpoint of the state. Of course, matter-of-fact discussions that help overcome certain differences of opinion and arrive at better conclusions are also important. We consider it essential to analyze programs and overcome differences for the sake of Poland's future.

[Balaz] What are the relations between the coalition government and the president?

[Pawlak] There are no problems in this area at the moment. We are concentrating on the key issues and on problem solving, and there is neither time nor room for any partial disputes.

[Balaz] Parliament will soon discuss the concordat issue and a partial liberalization of abortions, which President Walesa has vetoed. The PSL will be able to tip the scales in either direction. How will your party's deputies vote?

[Pawlak] We did not discuss this area of problems when concluding the coalition, and matters of faith and conscience do not form part of the coalition treaty. Each

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grouping will act according its own statement that we set great store by the successful ratification of the concordat. [sentence as published] We consider the ratification feasible.

[Balaz] And what about the abortion issue?

[Pawlak] We believe that this is an even more individual issue, and we therefore definitely do not intend to enforce any party discipline regarding this issue, also within the PSL framework. This is mainly a matter of individual deputies' consciences. The question is whether to arouse so many emotions over this whole matter and seek a solution within the framework of the Penal Code, or whether it would not be more meaningful to seek a solution in education, upbringing, and information about those issues, which are important to everyone. I believe that the latter would be far more effective than attempting to involve the prosecutor in these very personal problems.

[Balaz] Was the possibility of your candidacy in next year's presidential election raised at the Saturday meeting of the PSL Council?

[Pawlak] This issue was not discussed, and I do not expect any decision on this issue in the near future.

Speculation on Early Presidential Election

WS2308114294 Warsaw NOWA EUROPA in Polish 23 Aug 94 p 2

[Article by Monika Sarnecka: "Walesa's Strategy; Is It Possible That There Will Be an Early Presidential Election?"]

[Text] *Sejm deputies will decide in two weeks whether to reject or overrule the president's veto of the antiabortion law. Lech Walesa announced before that he would not sign the law in the new form, which allows for abortion also in the case of the woman's poor living conditions or difficult living situation, even if the Sejm came up with the two-thirds majority necessary to overrule the veto.*

If the president intends to stick to his commitment, he has two options: commit a breach of the Constitution or resign from office. In both cases, we should expect an early presidential election. The question remains, however, would that be advantageous from the standpoint of Walesa, who wants to run for the supreme post for a second time?

During this second Sejm term, which has lasted for almost a year now, the president has vetoed six laws adopted by parliament. Three of these vetoes were the subject of Sejm debate. The Sejm approved Walesa's veto to a law on methods of shaping salaries and on electoral law to gmina [administrative units] councils. On the other hand, the Sejm deputies overruled the presidential veto to a law on obligations and rights by Sejm deputies. The following still await debate by the Sejm: a veto to a law on the sugar industry, a veto to a law on the taking over of property of the former Polish United Workers Party, and a veto to amendments to the Penal Code regarding abortion.

It is not known whether it will be practically possible for the Sejm to come up with a two-thirds majority for a readoption of the amendment to the antiabortion law. Parties such as the Democratic Left Alliance [SLD] and the Union of Labor [UP] will be particularly eager to see the presidential veto overruled because they made a promise to reduce the strictness of the law adopted by the previous Sejm, one of their parliamentary elections campaign slogans. It seems that neither of the two remaining large parliamentary clubs, the Polish Peasant Party [PSL] and the Freedom Union [UW], will support the amendment, but what could happen is that individual Sejm deputies for UW or the PSL could support it. This will probably not be enough to overrule Walesa's veto, but anything could indeed happen.

Now, if the Sejm fails to overrule the veto, which would be tantamount to the antiabortion law remaining in its form up to now, those Sejm deputies who are in favor of amending it will most probably want, in line with their earlier announcements, to lead up to a referendum. True, no law has yet been adopted that would make it possible to carry out a referendum, but members of the UP Parliamentary Club have already announced that they will submit the appropriate draft to the Sejm.

If, on the other hand, the veto is indeed overruled, which seems less likely but not impossible, Walesa will then be forced to keep his earlier promise of not signing the amended law.

In that case, he will have just two options: resign from office or commit a breach of the Constitution. The latter possibility will mean that the president, in line with the Constitution, could be brought to justice before the State Tribunal. That possibility does not seem likely, especially given that Walesa has himself stressed on many occasions in the past that he wants to act in accordance with the legal system while fully observing the Constitution. It is not known, either, whether such a breach would not disqualify him from running in the next elections, which is what the incumbent president is especially eager to do.

He could also resign from office. In that case, the Sejm speaker, who will take over presidential powers, must make a decision within 14 days about setting a date for a new election. It would then take place most probably in November.

However, the question is whether L. Walesa could possibly be eager to see an early election and what kind of election driving force he can count on. Will support from the church and those members of society whose political views are influenced by it be enough to win the electoral race? There is no doubt that Walesa can count on the support of the church hierarchy. That is evidenced, for instance, by statements by Primate Jozef Glemp, who

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said last week that the president has passed his test as a Christian. It would also be worth considering whether Walesa could count on his competitors in the race not being ready to launch their campaigns, whereas some parties find it hard to come up with the best candidate.

The election is scheduled to take place next fall. It seems, however, that only Walesa is ready to run in the race at this point. None of the parties have gathered enough money or manpower, nor have they come up with an election strategy. Up to now, neither the PSL nor UW has decided to come up with a candidate, not to mention the right wing, which is busy arguing among itself about which coalition is more entitled to nominate presidential candidates. Only the SLD seems to know what it wants. Jozef Oleksy recently admitted that Aleksander Kwasniewski, who is leading in all preelection opinion polls, is being considered. It is those poll results that should concern Walesa right now because all of them indicate a drop in his ratings. Perhaps, however, his chances would be better if he were to confront weak and ill-prepared competitors.

Walesa Spokesman Answers Dismissal Rumors

LD2208182894 Warsaw Radio Warszawa Network in Polish 1700 GMT 22 Aug 94

[Interview with Andrzej Drzycimski, spokesman for the Polish president, by Drzysztof Grzesiowski; place not given—live]

[Text] [Grzesiowski] Here is Minister Andrzej Drzycimski, President Lech Walesa's press spokesman. Minister, apparently you are on leave—quite a long leave, in fact.

[Drzycimski] Yes, I received an official letter that puts me under the obligation to use up my accumulated leave. I have a lot of leave left that I have been unable to take so far, so I shall be on leave roughly until November.

[Grzesiowski] Does it mean that, after your leave, you will return to your old job?

[Drzycimski] Anything is possible because the leave is long, and certainly some events may occur that will become facts [as heard].

[Grzesiowski] Does what is happening at the moment—namely, the fact that you are on extended leave—mean that you will cease to be President Lech Walesa's spokesman?

[Drzycimski] I cannot reply either yes or no because I have not received any formal information on the subject.

MON Official on Arms Industry, Weaponry

WS2208133094 Warsaw POLSKA ZBROJNA in Polish 22 Aug 94 pp 1-2

[Interview with Colonel Tadeusz Jedynasty, deputy chief of the Armaments and Military Equipment Department at the Polish National Defense Ministry, by Stanislaw Lukaszewski; place and date not given: "Why We Support the Polish Arms Industry"]

[Text] [Lukaszewski] We learned from a report of a session of the Council of Ministers, the first to be held after the summer recess, that the National Defense Ministry [MON] wants to deal first and foremost with the domestic [arms] industry. What is your general evaluation of the Polish arms industry?

[Jedynasty] The position taken by the national defense minister does not surprise me. He has always supported and has always been an enthusiast of purchasing military technology from domestic industry first and foremost, while observing the requirement that the hardware must be modern and of such parameters that would suit the requirements of contemporary battlefields.

A majority of plants are capable of supplying such equipment to the Army, which is demonstrated by the fact that the financial means allocated this year for purchasing armaments and military equipment and for overhauls will be devoted to orders placed in about 90 percent of cases with domestic production and overhaul plants. Among these plants, there are 31 that are included on the list of arms industry plants of special importance.

The Polish arms industry has major achievements in, among other things, the production of modern tanks, portable antiaircraft and antitank sets, self-guided missiles, artillery/missile sets, various types of radio-locating stations, helicopters, educational and training aircraft, rifle weaponry and ammunition, and artillery weaponry of various calibers.

I must say here with great concern and enormous regret that the arms industry has been systematically downgraded for eight years now, and that is because the financial means that are allocated in connection with cutting down MON's budget by over 60 percent since 1986 (in real prices) make it impossible to fill even the minimum number of orders, even with some key arms-producing plants, to make it possible for the plants to operate.

In my view, as a result of these cuts, the arms industry is on the brink of total collapse. I am fully aware of that situation. If the additional proposed budget cuts are really implemented in 1995, it will have far-reaching, costly, and irrevocable repercussions. The Arms Supply and Military Equipment Department will not be able to place orders with many plants, which will bring along the dissolution of special production units and bankruptcies.

The picture I presented here is proof that the intentions presented on various occasions by both the government and the Sejm remain just wishful thinking. MON's efforts in this regard are a typical example of banging one's head against the wall.

[Lukaszewski] Are these the only results that are a consequence of such a serious reduction of the budget and the prospect of suggestions for additional cuts?

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[Jedynasty] Of course not. We should also take into account the possibility of layoffs of employees going into tens of thousands and the resultant social discontent. The Labor Ministry will have to devote additional resources for benefits and other such measures, which will increase the area of consumption.

Let me also mention some fundamental effects for the Armed Forces. There would occur further technical stagnation of the Armed Forces, the hardware would get older rapidly in a way that would deviate substantially from parameters accepted in Western countries, and there would occur an accumulation of defective equipment and a dangerous accumulation of tasks for the following years. This would have a major impact on the correct level of the Armed Forces' combat readiness. In the future, this would mean the need to purchase a majority of combat hardware abroad, at much higher prices.

[Lukaszewski] So to what extent is it realistic to expect the forecasts presented by Minister Kolodziejczyk to improve the state of the real level of our Army's armament? Are these realistic forecasts, or do you foresee any problems?

[Jedynasty] MON has forecast a plan of purchasing armaments and military equipment both domestically and from abroad up to the year 2010. The plan envisions that, effective in 1995, there will occur an increase of expenditures for purchasing military technology and for repairing the equipment that is already being used. The plan also envisions finalizing work on new generations of equipment and introducing them into operation.

[Lukaszewski] What do you think is meant by "the implementation by our arms industry of strategic governmental programs"? Money is needed for such an implementation, whereas what we have is a shortage of money.

[Jedynasty] MON's low budget as well as severely limited financial means for purchasing technology and continuing with research on new types of equipment result in the implementation of deliveries proceeding in a selective manner. Some priorities are set for the implementation of which the main financial effort is directed. These themes are included in strategic governmental programs. This creates a guarantee that there will be no shortage of money for the implementation of these programs.

Included in such a governmental strategic program, among other things, is the production of the Huzar helicopter and a new generation of Goryl tanks.

[Lukaszewski] The production and use of multipurpose Huzar helicopters has been approved. What are the differences between the Huzar and the Sokol, and are you satisfied with the decision? Aside from that, will the Army be satisfied as well?

[Jedynasty] Currently, W-3 Sokol helicopters are manufactured in the transportation, multipurpose, and search-rescue versions at the aerial plant in Swidnik. The Armed Forces are also interested in introducing armed Huzar helicopters into regular use. It is precisely the armed Huzar helicopter and not a multipurpose version, as you said, that is to be produced domestically. Among others, it will be armed with air-to-air and air-to-ground guided missiles, as well as with self-guided and controlled missiles, a quick-shooting light gun, and other hardware for nighttime observation and combat.

It is precisely the issue of armament that will be the main difference between Huzar and the current version of Sokol. The decision to launch the production of Huzar demonstrates that the Armed Forces want to promote domestically produced products.

Aside from that, the cost per unit with regard to the future delivery of these choppers plays a crucial role. Estimates are that the price of the Huzar will be three to four times lower than that of helicopters with similar parameters, if we had to import them from the West.

[Lukaszewski] And what about the new generation of Goryl tank? There was a lot of talk about Twardy earlier, but it never amounted to more than protocols. What is the future of Goryl?

[Jedynasty] Currently, the PT-91 Twardy tank is manufactured, and MON took its initial deliveries last year. Manufacturing tanks is a Polish specialty, which the plant in Labedy handles on a day-to-day basis.

So, to meet the standard of the contemporary and future battlefield and to be competitive in Western markets and be able to hope for export-bound production, one must begin thinking about new generations of tanks, the third generation. Goryl will be precisely this kind of tank. Until such time that it is produced, PT-91 Twardy tanks will be produced domestically.

[Lukaszewski] Do you believe that our arms industry is capable of manufacturing products for the Army that would encompass the world's most modern technology? Will these really be first-class products? Or is it the case that, so far, we have just been doing a lot of wishful thinking? As someone who is professionally linked to armaments and to military hardware, how do you envision the future of the arms industry, realistically speaking?

[Jedynasty] In many areas, our domestic arms industry has been manufacturing modern equipment. Talks and other contacts that we have been conducting with Western companies have made it possible to initiate cooperation. Also, there are even cases of establishing partnerships with foreign capital. So you can see it is not just wishful thinking. So as not to waste that legacy and to make further technological progress possible, we cannot allow for further reductions in the financial means destined for purchasing military equipment and for research/scientific work.

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As I said at the beginning, as a result of the reductions in the orders resulting from the cuts in MON's budget since 1986, the arms industry has already reached the end of the road, and the only thing after that is the abyss. I do hope that further reductions in MON's budget will not take place in 1995.

[Lukaszewski] So you basically believe in our compatibility with NATO armies when it comes to military equipment? What kind of time frame are we talking about, in your view, to make the wishes come true?

[Jedynasty] Even the richest countries cannot afford to restructure their armies very quickly. It is a process that lasts for years. At any rate, there is no need for such a speedy move. The equipment in these NATO armies themselves is very diversified. One could use the example of comparing the Armed Forces of Turkey with those of the United States. I do not think that calibers, types of equipment, and types of aircraft are the most important things. In my view, command systems and overcoming language barriers are more important.

[Lukaszewski] What about the hopes that some foreign companies—Swiss, Swedish, and Israeli—could participate in our arms industry? Is it the case that we never moved beyond mere debate?

[Jedynasty] These are no longer just hopes. I already said that such cooperation between our arms industry plants and foreign companies is a fact of life.

Several Israeli, Swedish, and French companies are already involved in cooperation, whereas many others are close to signing appropriate agreements on cooperation.

[Lukaszewski] Thank you for the conversation.

Designers Offer New Combat Aircraft

WS2208134494 Warsaw TRYBUNA in Polish 22 Aug 94 p 2

[Article by Ryszard Zatorski: "Orkan, Iryda's Son"]

[Text] After the battle over Iryda aircraft and the press storm accompanying the jet produced in Mielec, it seems that substantive talks between Minister Kolodziejczyk and manufacturers calmed the situation. The planes are manufactured; the Army will buy four new versions as early as this year. These will be Irydas with new engines, Kaszub, K-15, made in the Transportation Equipment Plant in Rzeszow, and Irydas in the export version, with engines provided by Rolls-Royce—that is, Vipers-545. The avionics in the aircraft have been modernized. They are also characterized by greater efficiency and are adapted to fulfill military tasks.

Currently under discussion is a combat aircraft, a storm, a combat jet. There are three proposed designs for such a plane.

The first one has been prepared by Warsaw Okecie designers—Skorpion—which is constantly being offered in a more and more perfect version. Of course, we are talking about design.

There is also a joint design of a storm plane that has been prepared by experts at five centers outside of Warsaw, even though it is not promoted by the Aviation Institute in Warsaw, the same institute that has made the greatest contribution to the design of Iryda. This version is called "Kobra." The names of these "destroyers," which are supposed to directly support the Army in the battlefield by penetrating the front lines and precisely destroying objects on the ground, have been chosen very well and...have a deterring effect on the imagination.

Finally, there is the Mielec proposal of a combat storm plane—Orkan.

As we found out, both Skorpion and Kobra, according to plans, were to be manufactured in the largest Polish aircraft factory in Mielec. The local designers, headed by Marek Potapowicz, leading designer of Iryda and first deputy to its chief designer, offered Orkan, whose construction is based on Iryda. The work on the storm plane began last September; the designers took advantage of their own brains and a computer. Even a special computer system, CADDS-5, was purchased. Opionions were solicited at the Ministry of National Defense from the head of the General Staff and the commander of the Air Forces. The opinion of future users of the aircraft is most meaningful to the manufacturers. The offer to the Army was ready as early as in January.

The Mielec designers approached the problem in a scientific and pragmatic manner. They assumed that right now there are no financial possibilities in Poland to take the risk of starting work from scratch on a new aircraft, that this entails an immense risk, and that initial results might not be achieved very quickly, even in 10 years' time. Therefore, they simply modified Iryda. Its child—that is, Orkan—is to be more powerful. It is to have two engines, and the thrust of each would be over two tons. It would have new wings and a number of changes that make it competitive with earlier Polish designs and comparable with aircraft of this type found in the world. It is a purely combat machine that may lift up to four tons of armament. It may be manufactured in various versions: a storm version, a reconnaissance version, a maritime version.

Orkan costs half as much as a comparable aircraft, such as the HAWK or the AMX. It would be possible to begin series production four years earlier than in the case of Skorpion or Kobra. Apart from that, it would also be possible to take advantage of the equipment used in the production of Irydas without any additional expenditures.

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Daily Views Preparations for BPH Privatization

WS1908115394 Warsaw GAZETA WYBORCZA in Polish 19 Aug 94 p 17

[Article by Konrad Sadurski: "Privatization as a Christmas Gift?"]

[Text] Unless Bank Przemyslowo-Handlowy [BPH] is privatized by 20 January 1995, $700 million provided by the Fund for Privatization of Polish Banks will be lost. The Finance Ministry hopes that shares of this Krakow-based bank will be sold out before Christmas.

The BPH was to be privatized in the first half of 1994. However, after the commotion caused by the privatization of Bank Slaski, the date was deferred. Now the Finance Ministry, which is privatizing the BPH, is in a hurry because the so-called Fund for Privatization of Polish Banks may be lost. In the fund's account, there is $700 million, which in the past was part of the Zloty Stabilization Fund. This money comes from donations or foreign loans. The government can use it to buy out the so-called restructuring bonds, which provided additional capital to seven large banks (including the BPH). However, there is a firm condition to meet: By 20 January 1995, at least one of the seven banks must be privatized (that is, BPH, Powszechny Bank Kredytowy, Bank Gdanski, Powszechny Bank Gospodarczy, Pomorski Bank Kredytowy, Bank Depozytowo-Kredytowy, or Bank Zachodni). For the time being, the dollars are in a special account in the Federal Reserve Bank and are bearing interest.

Only the Minimum Price

"Work on the BPH's issuing prospectus is in the final stages. The Securities Commission will get it at the end of next week," we were assured yesterday by Miroslaw Bojanczyk, deputy director of the banking system department at the Finance Ministry.

According to him, BPH shares will be sold at a special stock market session toward the end of November or in early December. The ministry will only set the lowest price for which it is ready to sell its stocks in the BPH and which should ensure the maximum revenues to the budget.

The minimum price will be set on the basis of an accounting valuation of the bank (it is being set by the Samuel Montaque company, which has been hired specially for this work) and a market valuation.

"We will take into account the price-profit indicators and the indicators of price-book value of the banks registered on the stock market, as well as the situation on the Warsaw stock market," said Director Bojanczyk. He added that the ministry may set the price a day before the first session.

Finance Ministry Will Buy Bonds

According to Director Bojanczyk, using the occasion of privatizing the BPH, the Finance Ministry will buy the second issue exchange bonds of the State Treasury. Out of over 1,144,000 bonds, which at the end of 1989 and the beginning of 1990 were sold by Bank Gospodarki Krajowej, Pekao SA, Bank Gospodarki Zywnosciowej, and PKO BP, approximately 500,000 are still in circulation. Until the end of November, owners of these securities may use them as payment for the shares of privatized companies. In addition, they will get a 20-percent discount.

When Bank Slaski was privatized, investors complained that they were not able to pay with their bonds for shares—the price of some bonds was higher than the price of the shares. To avoid this, share owners will probably be able to submit orders for the purchase of the shares of the Krakow-based bank only when the issue price of the shares is known—that is, after the first appearance of the BPH on the stock market.

The Last Chance

The ministry expects all of the owners of the bonds to take advantage of this possibility. After November 1994, the percent rate on these securities will slump to 3 percent annually. Right now it is equal to the monthly inflation rate. Apart from that, beginning in December, the budget will not buy out all of the bonds at once; two or three times a year it will draw 10 percent of the bonds that are still in circulation, which it will buy out. Thus, some owners of the exchange bonds will have to wait until the year 2000 for them to be purchased.

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New Cabinet Ministers Take Oath of Office

AU2308093194 Bucharest Radio Romania Network in Romanian 1700 GMT 22 Aug 94

[Text] In the presence of Romania's president, the prime minister, and other members of the Executive Branch, a ceremony swearing in the two newly appointed ministers, Messrs. Valeriu Tabara, minister of agriculture, and Adrian Turicu, minister of communications, took place at Cotroceni Palace this evening. The former holders of these portfolios were also present.

Taking the floor at the end of the meeting, Romania's president emphasized that the appointment of the new ministers was made in accordance with constitutional procedures. This government reshuffle, the head of state said, does not amount to a disavowal of the former holders of these portfolios, whose activity was well appreciated, but should be rather seen as an attempt to renew and rejuvenate the governmental team and to stimulate these two sectors of the economy in the general framework of promoting the reform process.

Referring to speculations pertaining to several Romanian National Unity Party [PUNR] members joining the cabinet, the Romanian president termed them exaggerations that are not appropriate for the political climate prevailing in our country.

'Grain Importers' Behind Ministerial Change

AU2308064194 Bucharest ADEVARUL in Romanian 19 Aug 94 p 1

[Unsigned note: "The Cartel of Grain Importers Defeated Mr. Vacaroiu"]

[Text] We learned from government sources that Prime Minister Nicolae Vacaroiu was forced to accept yesterday's change in the Ministry of Agriculture's portfolio holders: Ioan Oancea was replaced by Valeriu Tabara, deputy of the Romanian National Unity Party [PUNR]. The decision was made without taking into consideration the results of the current agricultural year, which were presented on Romanian Television with patriotic pride by the prime minister himself. It seems that the pressure brought on by the grain importers had the last say, as they knew how to capitalize on the PUNR's persistence in entering the cabinet. Late in the evening, Ioan Oancea was scheduled to meet with President Ion Iliescu, who himself seems to have been surprised by behind-the-scenes maneuvering.

MiG Crashes Attributed to Budget Cuts

AU2308081194 Bucharest EXPRES MAGAZIN in Romanian 16-23 Aug 94 p 5

[Unsigned note: "Rain of MiG's"]

[Text] As is known, another MiG airplane crashed. We have already lost count of the number of these crashes. Thank God the pilot managed to save himself. The story of these planes is not funny at all. In an outburst of sincerity, Mr. Gheorghe Tinca, minister of national defense, told the media: "The percentage of crashes exceeds by far the acceptable average for any air force in the world." He added that the cause of these crashes lies in the fact that the hardships faced by our Air Force kept accumulating over the past 20 years, while the Army's budget kept being cut. A situation has been reached whereby the Air Force no longer has fuel or spare parts. If this is the truth, as one can clearly see from the recent rain of MiG's, we do not understand how it is that the minister did not even open his mouth during the budget discussions in Parliament. He observed the party recommendations and swallowed the austerity budget pill. But now, he serenely declares: "This is what we have, and that is why they fall." All is well as long as he does not fall from the ministerial chair!

President Iliescu Discusses European Relations

AU2208174494 Bucharest DIMINEATA Supplement in Romanian 15 Aug 94 pp 2, 3

[Interview with President Ion Iliescu by Christiane Kirsch of ARD Television Station of Germany; place and date not given: "We Welcomed the Constructive Position Adopted by Germany in the European Bodies Regarding Our Integration in These Bodies and We Also Noted an Upward Course in Our Bilateral Ties"]

[Text] [Kirsch] Mr. President, what do you expect from the forthcoming visit of our federal minister of foreign affairs, Klaus Kinkel, in concrete terms?

[Iliescu] First of all, we consider Mr. Kinkel's visit a political signal, which underscores the mutual desire of the two states to consolidate the good relations that have developed between our countries.

I believe that after Mr. Genscher's [former FRG foreign minister Hans-Dietrich Genscher] visit to Bucharest and the signing of the basic political treaty between our countries, bilateral relations have registered a good and positive evolution in both the political and economic spheres.

We welcomed the constructive position adopted by Germany in the European bodies—the Council of Europe, the EU, and NATO—regarding our integration in these bodies, and we also noted an upward course in our bilateral ties. At the same time, we appreciate the fact that Germany is our first economic partner and we welcome the interest of the business circles from Germany in developing these relations and diversifying the forms of economic cooperation. I hope that these relations will further develop, in view of our location on a trans-European axis of great interest and broad prospects, namely that of the Danube-Main-Rhine.

[Kirsch] Mr. President, what part will the German minority in Romania play in your discussions?

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[Iliescu] The Germans who lived, settled, and worked here for several centuries have been held in high regard in Romania. They were appreciated for their seriousness, for their administrative and hardworking spirit, and for their efficiency. Therefore, the main thing is that sentiments of mutual esteem and respect have developed between the majority Romanian population and the minorities, including the German population.

Of course, Europe's contemporary history has known many accidents and, after the war, there were certain outbreaks of hostile sentiments toward the Germans from the peoples of countries that had to endure the Hitlerite occupation. These all-European manifestations were also reflected in Romania in the first years after the war, but I believe that they did not acquire the virulence experienced in other countries. We disapproved of the measures taken against the German population, which experienced the consequences of Hitlerite Germany's adventurist and dangerous policy. The German population in Romania was not guilty of that. Some were sent to the USSR and others were evacuated from their houses and properties and sent to work in other regions. We considered all these measures taken against the German population as unjust.

However, these facts, on the one hand, and the deterioration of the overall situation in the country during Ceausescu's [former communist dictator Nicolae Ceausescu] time, on the other hand—particularly the deterioration of the economic situation—have made many Germans from Romania leave the country and emigrate to Germany. Right now, I believe that Romania boasts conditions of full freedom and equality for all the country's citizens, including for the citizens of German nationality, and I believe that both the Germans who have remained in Romania as well as those who emigrated to Germany can become a bridge of mutual knowledge and trust between our countries.

[Kirsch] Mr. President, I went to Ardeal, and there I learned of problems regarding the return of certain assets, particularly land, confiscated or nationalized after 1944-45. How can these problems be solved?

[Iliescu] Regarding the land, there is a legal basis for this, namely Law No. 18 on the land stock, which stipulates the possibility of reestablishing the right to property for all citizens.

Regarding the nationalization of certain houses, another law is currently being debated in Parliament. The proceedings have been interrupted for now, but Parliament will eventually reestablish the rights to ownership one way or another and will provide for compensation in the cases where the properties can no longer be returned to their previous owners.

[Kirsch] Therefore, the return of these assets will not be made as a function of the year when they were nationalized?

[Iliescu] No. Everything connected with the nationalization and confiscation of property will be regulated by the law.

[Kirsch] As an observer of the situation in our country, I cannot overlook the fact that Chancellor Helmut Kohl has not yet been to Romania, nor have you come to Germany to meet with Chancellor Kohl. How do you explain that?

[Iliescu] This has not escaped me, either, but I do not dare to pass judgment on the options, orientations, and sympathies of certain politicians from other states. I believe that we are faced here with a certain amount of political prejudice, which should have no place in the activity of a realistic politician. But then, I do not want to pass judgment on such a thing.

[Kirsch] Has Chancellor Kohl already been invited by you to visit Bucharest?

[Iliescu] The invitation has been extended to him more than once, but then it also needs someone to accept it.

[Kirsch] To what extent does this situation disturb or irritate the ties with Germany?

[Iliescu] We are not talking about irritation here. But the political factors can facilitate a normal climate of mutual trust and of comprehensive development of relations, because, as I have already said at the beginning of this interview, we appreciate the positive development of relations between the two countries.

[Kirsch] Does this mean that you will also take up with Mr. Kinkel the question of mutual visits—yours to Bonn and Mr. Kohl's to Bucharest?

[Iliescu] I think so and I believe that the climate of our relations and the development level of bilateral ties are quite favorable, something that should motivate and justify high level contacts as well as contact at the highest level between our countries.

[Kirsch] I would like to proceed to other issues belonging to the realm of foreign policy. Half a century ago, Romania lost part of its territories—I am referring to Bessarabia and north Bukovina. Will the issue of the return of these territories ever be brought up by your country?

[Iliescu] There are two aspects here. From a historical viewpoint, it is to the "merit" of Stalin and Hitler that Romania lost these territories. Right now, in view of the territorial configuration and the current borders in Europe, such problems cannot be raised. From a legal viewpoint, that was an unjust, arbitrary, and abusive act of the two powers that dominated the European situation in the forties.

However, we must proceed from the realities prevailing in Europe today. We are acting in the spirit of the

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Helsinki Agreement and the European Charter and consequently we are striving to base our foreign policy on today's realities on the European continent.

Otherwise, the tackling of many other similar and very delicate problems may trigger off a chain reaction, which would have a negative impact on the continent's stability. For instance, we value the realistic spirit of the German policy in the matter of borders and territories.

There is another special problem for Romania, namely the existence of a second Romanian state, the Republic of Moldova, a former Soviet republic included in the former Soviet empire, which is now developing as a separate and independent state, but which only consists of a part of the territory occupied by the Soviets in 1940; another part of it was incorporated in Ukraine. A territory which did not belong to Romania, Dniester, was added to Moldova, thus becoming a source of conflict. This is an example of Stalin's shrewdness, as he made such a mess of things and created such territorial problems between states and nations—thus leaving behind him all kinds of sources for new misunderstandings—only to promote his domination.

[Kirsch] Since you mentioned Moldova and Ukraine, well, all these states have recently begun to look once more toward Moscow. Do you consider this a stabilizing thing or rather a source of disquiet and concern?

[Iliescu] On the one hand, you have these economic links that have been established during the years in all these regions, hence, it is only natural to strive to preserve and capitalize on these traditional economic ties. Russia is a country with huge natural resources and many other countries are interested in establishing and developing economic relations with Russia. I can see that Germany is also greatly interested in maintaining, normalizing, and developing relations with Russia. We understand this desire.

On the other hand, there are also confrontations of political orientations. Certain forces suffering from nostalgia want to remake the Russian empire and maintain Moscow's control over all former component republics. On the other hand, the democratic forces want to consolidate the democratic development of both Russia and the other former Soviet republics. We hope that these latter trends and the democratic forces in Russia will get the upper hand as well as the democratic and autonomous development of the newly independent states. We also hope that these countries will integrate themselves in the all-European community, thus becoming an element of continental and overall stability.

As far as we are concerned, we are interested in normalizing our relations and in developing relations of good neighborliness with all these states, concurrently with developing the processes of our integration in the European bodies and institutions.

[Kirsch] Crossing the Romanian border to the West, we come across Hungary; consequently, I wonder why it is that no basic treaty between Hungary and Romania has yet been concluded?

[Iliescu] This treaty is still being discussed and negotiated. Unfortunately, the previous Hungarian Government gambled quite a lot on linking the declaration of the intangibility of current borders to the problem of the Hungarian minority in Romania. I believe this amounted to an artificial maintenance of a futile state of tension, which is not beneficial to either Hungary, Romania, or the Romanian citizens of Hungarian nationality. All these problems can be solved in the context of the all-European principles governing the relations among states. The Hungarian minority in Romania enjoys all the rights that minorities in many other European countries do not enjoy and even the national minorities in Hungary do not have.

[Kirsch] Do you envisage an improvement in these relations now, after the change of government in Budapest? I am asking this because you said that these problems were generated by the previous Hungarian Government.

[Iliescu] We hope that the new government will approach things in a more realistic way. Mr. Horn's [Gyula Horn, prime minister of Hungary] post-electoral statements are promising. We have always declared ourselves ready to openly discuss these problems and to search for a solution acceptable to both countries.

[Kirsch] Another important neighboring country is Yugoslavia. I know that Mr. Milosevic visited Bucharest and I followed this visit with interest. I know that Mr. Tudjman also visited your country and that you maintain good relations with all the countries of former Yugoslavia. However, what struck me was the fact that, during Mr. Milosevic's visit, you discussed the issue of a friendship agreement with Yugoslavia, at a time when that country is still submitted to sanctions and is not recognized internationally. Why does one discuss the issue of a friendship treaty under such circumstances?

[Iliescu] We have always had very good relations with Yugoslavia, both in the more distant and recent past. Consequently, we are striving to maintain the same relations with all the states that have emerged in the wake of the dissolution of the Yugoslav Federation.

We consider the current situation as a tragedy for this people, which has had so much to suffer during its history, and we regret that a military conflict has broken out between peoples that have jointly struggled against various foreign occupiers. I believe that a hostile attitude toward any one of these people is not the right way to support the efforts of the political forces in the search for peaceful and political solutions to the present conflict.

In the last instance, we are dealing with a people torn apart by history: by the Ottoman occupation, which

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lasted several centuries, in one part of the country and by the Austro-Hungarian occupation, in the other part of the country. The basic conflict in Bosnia is not among different nations, but within the same people, which is only separated by religious beliefs. The Bosnian Muslims are also Serbs, only that they converted to Islam—particularly in the urban areas, where the Ottoman occupier was present—since this is how they could obtain certain privileges.

A differentiated and hostile attitude toward one side and support for the other side means to incite a part of the Serbs to fight against other Serbs. I believe that, in the end, life will teach them to live together as they have lived throughout the centuries and the international community is duty bound to help them solve these problems, so as to promote understanding among themselves, not to set them at loggerheads.

[Kirsch] Do you think that a friendship treaty with a part of this people, which is internationally viewed as the aggressor, would help?

[Iliescu] The notion of "aggressor" is very relative in the case of Yugoslavia, as it is in the case of Bosnia. Right now, the Contact Group consisting of the EU, the United States, and Russia is looking for a way to understand and politically resolve the problems that have emerged among the parties to the conflict. As far as we are concerned, we have observed and are observing the UN decisions on the embargo, although this directly affects us from an economic viewpoint. On the other hand, through our direct and normal ties with all the parties involved in the conflict, we are striving to make a positive contribution to an understanding among these states.

[Kirsch] Romania has often shown its readiness to mediate among the sides involved in the conflict and even to host a peace conference. How can Romania fulfill this role?

[Iliescu] No, we have no claims to such a role, because that would mean substituting ourselves for certain international bodies operating along these lines. Nevertheless, we believe that all states, particularly neighboring ones, can help to promote a climate of contact and understanding among the sides involved in this conflict. Romania's advantage is that it has always had good relations with Yugoslavia and that it still has good relations with all the constituent states of the former Yugoslavia. Our country has no ulterior interests there, consequently everybody realizes that Romania is totally impartial in its relations with the new states that have emerged in the Yugoslav space and can only play a constructive and positive role.

[Kirsch] Against the background of the geopolitical situation in your region and in Europe, I would like to ask you the following question: What was the meaning of Romania being the first country to adhere to the Partnership for Peace [PFP] scheme with NATO? What is our personal opinion about this step taken by Romania, as the first country from Eastern Europe to do that?

[Iliescu] The disappearance of the Iron Curtain and of the elements that made up the foundation of the "Cold War" in Europe and the dismantlement of the Warsaw Pact have led to a new situation, which has also changed the role and functions of the NATO. We approached our relations with NATO and the talks with the leadership of that organization from the stance that NATO can become an important element of stability and equal security for all European countries. We saw the PFP as a framework for NATO's opening toward all the countries in this region. Consequently, we hailed it and adopted the decision to start negotiations for the signing of this PFP accord.

[Kirsch] You are now in the PFP. Romania is on the point of becoming an associate member of the European Union. You are in the Council of Europe. What European structures would be of primary interest for Romania in the next stage?

[Iliescu] Each structure has its mission. It seems to me that the Council of Europe is the first body to make the first big opening move toward the integration of all European countries in this body. That is why we made efforts to join the Council of Europe and to become an active partner and a member of this partnership.

As I said, NATO is changing its functions and we also looked toward NATO as a political, not only military framework that can ensure equal security for the countries in this region and generally in Europe.

We looked toward the EU with interest—in conjunction with the basic process of the economic integration of all European countries and the cooperation of developed West European countries with the countries currently going through a very difficult period of transition—so as to limit and gradually reduce the economic and social discrepancies between the Western and Eastern parts of Europe, which, in the long run, represent the most dangerous source of instability. The goal is to encourage this process of all-European integration in the basic field of economic relations. We are also interested in other European structures, such as the Western European Union [WEU], with which we have also established relations, and the CSCE, where we are a permanent member.

[Kirsch] You mentioned that the EU is of great interest for your country, particularly from an economic viewpoint. What other support and measures do you expect from Western Europe to endorse the reform process in your country?

[Iliescu] Of course, economic reform is our national target and the main effort should be made inside the country. This transition process is not a simple matter at all. The transition per se is very difficult, since we are dealing here with a very complicated passage from the

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centralized and hierarchical structure of a state command economy toward the market economy.

Germany can best understand this phenomenon, since it has been confronted with the reality of the former GDR. Germany is spending more than 150 billion German marks yearly for the transition process in the GDR. This amounts to a huge foreign injection of capital and financial support for the transition processes in the former GDR.

We could never rely on such foreign sources in our transition process. The hardships due to various internal processes, which have led to malfunctions in the national economy; the loss of certain traditional partners and markets, such as the former CEMA [Council for Mutual Economic Assistance], the former Soviet Union, and other traditional partners; the negative impact of the Gulf crisis on Romania, since the Gulf states were important partners and oil suppliers for us; and the current Yugoslav crisis, which has caused us huge economic losses due to the embargo, all this have exacerbated the difficulties of the current transition process.

We had to particularly rely on our own efforts, at a social cost that the population had to bear these past few years, since foreign financial support was very modest or totally absent. What is more, instead of meeting understanding, we were also confronted with the hostility of certain parties.

However, my impression is that there is a better climate or a more correct understanding of our efforts and we benefit from the cooperation with such international bodies as the IMF and the World Bank. Likewise, we have reached some constructive cooperation levels with the European bodies, since we cannot outline the country's future development in an autarchic framework, but we must take into consideration the whole context of regional and all-European integration as well as the context of our integration in the world economy.

I believe that the economic stability and development of our country, as well as of other countries currently in transition, is not only to the benefit of our country and of the countries in this region, but also to the benefit of all European countries and the world economy. We must all rid ourselves of ideological prejudices in tackling these problems and must create a climate of constructive cooperation.

In this respect, we note that the politicians and analysts are much more prudent when they talk about the great powers, such as Russia, China, and even Ukraine, as I have noticed of late, because they cannot fool around with them. Boris Yeltsin is no longer the former member of the Politburo. As for China, although a communist party is in power there, the country is nevertheless a great power, which cannot be ignored. However, with countries such as Romania and others, they still resort to such false ideological games.

[Kirsch] If I am allowed to make an inference from what you just said, do you feel bothered by the fact that Germany received Li Peng (PRC's premier), but does not receive you?

[Iliescu] Personally, I am not easily irritated, but the public at large cannot avoid drawing its own conclusions.

[Kirsch] Let us go back four years in time, since I have followed the processes in your country for a long time, and I would like you to assess your personal role in this transition, proceeding from the role you played in the change that has occurred in your country, the 1989 revolution.

[Iliescu] The revolution had a popular character in Romania. There was a social explosion in December 1989, as a result of the accumulation of tensions in society following the deterioration of the economic and social life and the overall climate in the country. Anyone could have played the role I played then, in those days. Therefore, I became involved in the wave of the popular movement that originated here, in the country, and broke out in December 1989, because I was a relatively known person.

I have been a public figure for many years, known for the various stands I adopted against certain orientations in the country's political life. I was somewhat pushed aside and submitted to a regime of special supervision, which, I believe, has created a certain political platform for myself and also represented an element of support and orientation for the people to express their confidence in me, as one of the people who have led the events at the end of December 1989. A book will come out in the next few days, in which I try to explain this process for the country and myself personally. Otherwise, the revolution and the reform...

[Kirsch] What you just said must also explain how you have come to enjoy this huge popularity, at least as it is seen from abroad.

[Iliescu] I believe that this was a general sentiment in the country. I was seen as the person who embodied the spirit of the popular revolution of December 1989. However, such a position also incurs personal risks, because the people link their hopes to the figure that embodies the ideas of the revolution and their hopes for the better. Indeed, everybody who welcomed the demolishing of the old totalitarian regime expected that everything would change for the better overnight. But the demolition of the old state system and the old structure of the national economy had the opposite effect, namely negative consequences for the living standard of many people. This naturally has upset the people and fed their disappointment, something that also rubs off onto the person who embodies the new state. Therefore, I understand the disappointment and bitterness of many people, but I said from the start, as far back as the beginning of January 1990, that by assuming this responsibility, we are also assuming a personal risk to ourselves.

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[Kirsch] Since you said that you understand the bitterness and disappointment of people, do you also have understanding for the attempts of the opposition to change the government, through the recent nonconfidence motion, for instance, or for its attempt to impeach you?

[Iliescu] This is not specific to Romania alone. The opposition is against the government everywhere in the world. This is a rule of democracy—the opposition must criticize and try to overthrow the current government. The question is how it goes about accomplishing it. As long as it is done within the legal framework of the constitutional order, then it is part of the democratic game. Therefore, I do not take the opposition to task for its critical position. On the contrary, I try to maintain a normal framework for this political confrontation and to maintain, as much as possible, a dialogue with the representatives of all political orientations. Sometimes I am successful, sometimes less so. This is also part of the political game.

[Kirsch] Mr. President, thank you from the bottom of my heart for this interview.

French Magazine Calls For King's Restoration

AU2308132194 Bucharest ROMANIA LIBERA in Romanian 16 Aug 94 p 3

[Article by Andrei Badin: "A Close Friend of President Mitterrand Criticizes the Communist Power in Bucharest and Says That Romania Needs King Mihai"]

[Text] The editorial of the latest issue of the LA NUVELLE ACTION ROYALISTE, published in Paris, is devoted to the act of 23 August 1944, through which Romania broke the nefarious alliance with Nazi Germany and joined the Allied forces. One should mention that the president of the association "La Nuvelle Action Royaliste" is Mr. Bertrand Renouvain, a well known novelist and close friend of French President Francois Mitterrand. In 1992, President Mitterrand appointed Mr. Renouvain to the Social Economic Council, a state body that provides situation reports and expert advice to various ministries.

The LA NUVELLE ACTION ROYALISTE editorial notes that His Majesty King Mihai I of Romania is the only head of state from the time of World War II who is still alive and recalls the expressions of gratitude conveyed to King Mihai by U.S. President Harry Truman when awarding him the Order of Merit [as published] for his major contribution to the defeat of fascism. The French magazine stresses that the significance of the act of 23 August 1944 has been distorted, both in the communist era and in the period following the events of December 1989. The magazine mentions that the current Iliescu government is "dominated by communist politicians" who are concocting lies about the monarch. It also describes the enthusiasm provoked by the visit of King Mihai to Romania in 1992. In this respect, LA NOUVELLE ACTION ROYALISTE notes the attitude of the Romanian authorities toward King Mihai in refusing to grant him a permit to enter his native country. Recalling the actions of the current leadership against monarchist activists, the magazine affirms that all these actions demonstrate the "failure of the Iliescu regime" and "Romania's desperate need for a head of state who has proven democratic qualities and who could lead the way out of the current moral, spiritual, and economic chaos. Fifty years after the state coup in 1944, Romania needs King Mihai."

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Government Meets To Discuss Kladusa Refugees

AU2208201394 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 22 Aug 94

[Text] The extraordinary session of the Government of the Republic and Federation of Bosnia-Herzegovina opened in Sarajevo this evening. The only item on the session's agenda is the problem of refugees from Velika Kladusa.

A report on the issue was submitted by Muharem Cero, minister for refugees, labor, and social policy. Among other things, Cero said that the data provided by [words indistinct] and UNPROFOR [UN Protection Forces] on the number of people who have left Velika Kladusa under pressure from Fikret Abdic's supporters differ from and are not even close to the Embassy of Bosnia-Herzegovina in Zagreb's data, according to which the number is smaller by half.

After hearing the introductory report, the government continued the session behind closed doors and is expected to announce its conclusions.

Akashi Says Abdic Probably Hiding in Knin

AU2308110794 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1000 GMT 23 Aug 94

[Report by Nada al-Isa]

[Text] Fikret Abdic is most probably hiding in Knin. Both Yasushi Akashi and General Atif Dudakovic have this information. This is why the increasingly frequent chetnik provocations from the occupied territories of the Republic of Croatia on the outskirts of the Cazin Krajina are not surprising.

The Command of the 5th Corps in Bihac, with which I spoke on the telephone, says that the Serbs carried out provocations and attacks with heavy guns and multiple rocket launchers on the area around the villages of Johovica, Donji Vidovac, and the outskirts of Velika Kladusa early this morning. Several enemy soldiers were wounded and three soldiers of the 5th Corps were slightly wounded. The 5th Corps has so far refrained from responding to these attacks more fiercely. However, if the chetniks do not stop or if they step up their attacks, the 5th Corps fighters will be forced to respond fiercely, the Command of the 5th Corps in Bihac said.

Let us recall, while he was in Kladusa, Fikret Abdic tried to persuade the chetniks to attack both Kladusa and Bihac, Kladusa in order to cause (?panic) and force people to flee, and Bihac in order help him against the 5th Corps.

Therefore, one can assume that Abdic will continue to beg the chetniks to carry out attacks. This time this would be done with the help of the remnants of Abdic's paramilitary army that fled to the so-called Serbian autonomous region of Krajina.

The 5th Corps is again reminding all members of Abdic's paramilitary army that the amnesty offered by the Presidency of Bosnia-Herzegovina is still in force. This amnesty is valid for all those who have not committed war crimes and who (?join) the Army of Bosnia-Herzegovina. The 5th Corps has also repeated its call to all the refugees to return. According to its information, some 3,000 people who were forced by Abdic to leave the Cazin Krajina have already returned.

Life is already returning to abandoned houses. As we have said before, their property is being protected by the people's army and the police. Kladusa is open and free. I hope that one of my reports will come from free Kladusa very soon. General Dudakovic says that Kladusa is free and safe. I believe him and I am preparing to go to Kladusa.

Abdic Faxes Message to Refugees

LD2308123694 Belgrade TANJUG Domestic Service in Serbo-Croatian 1202 GMT 23 Aug 94

[Text] Zagreb, 23 Aug (TANJUG)—Fikret Abdic, president of the autonomous province of western Bosnia, sent a message to around 60,000 refugees from that area, published in today's issue of the Split-based SLOBODNA DALMACIJA daily.

The message was faxed to the paper by Fikret Abdic's office, but it does not say where the office is after Abdic and many refugees were forced to leave Velika Kladusa facing an onslaught by Alija Izetbegovic's Muslim forces.

"Today, although in exile, we are not humiliated and we retain our dignity," Abdic stresses, saying that the return of refugees to western Bosnia is possible only if the persecutors "and butchers belonging to the 5th Corps" leave their devastated and burned down homes.

"We will not give up on our unique demands until the last member of the 5th Corps leaves our villages and towns," Abdic says and adds: "We will persevere in exile with its uncertain fate, which is still safer than that offered to us by Alija Izetbegovic and the Sarajevo government." They do not have a mandate to decide on our return because they have driven us out, and "we will not go back to our butchers' knives and enable them to continue the crime they began," Abdic stresses.

According to him, Velika Kladusa and Western Bosnia are a strong warning because "they are witness to the criminal policy of Alija Izetbegovic" who has carried out aggression against his own people.

"Citizens of western Bosnia, wherever you are, remain united and rest assured that Fikret Abdic Babo and other leaders of the autonomous province of western Bosnia will never betray you," Fikret Abdic's message to the refugees says in conclusion.

Karadzic Sees Unification as Answer to Sanctions

AU2208160494 Belgrade VECERNJE NOVOSTI in Serbo-Croatian 20 Aug 94 p 5

[SRNA report: "Best Answer"]

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[Text] Radovan Karadzic, president of the Srpska republic [RS], said that Serbian unification is the best answer to the possible maintenance or tightening of the sanctions on the Federal Republic of Yugoslavia.

"We take the view that the right of the Serbian people to unification is inalienable, just as we take the view that the breaking up of Yugoslavia was illegal and illegitimate," Karadzic said at a news conference after the Assembly's session in Pale.

He said that the "international community is trying to gradually destroy the Serbian ethnic space and the Serbian people, attacking first the republic of Serbian Krajina [RSK], then the former Bosnia-Herzegovina, in order to finally to turn to Kosovo."

Replying to the question of whether there would be any mediators in the possible talks between the leaderships of the RS and the RSK and the parliamentary delegations of Serbia and Montenegro on Serbian unification, Karadzic said: "Brothers do not need mediators. If anyone is to mediate, then this should be the Serbian Orthodox Church."

Asked about the venue of the meeting with the Serbian and Montenegrin parliamentary delegations, the president said that he was "convinced that the meeting at which the unification with Serbia and Montenegro will be discussed will take place on the territory of the RS and the RSK."

Expects To Reject Proposal

LD2208191694 Sarajevo Radio Republike Srpske Program for Abroad in Serbo-Croatian 1730 GMT 22 Aug 94

[Text] Srpska republic president Radovan Karadzic and Momcilo Krajisnik, president of the Srpska republic people's assembly, stressed during talks yesterday with members of the Banja Luka committee of the Serb Democratic Party of Serb Lands that it could already be said that the Serbs from the Srpska republic will not accept the Contact Group's proposal on the territorial division of the former Bosnia-Herzegovina at the forthcoming referendum.

Karadzic stressed that, in future negotiations with international community envoys, Srpska republic representatives will continue insisting on the aspiration of the Serb people from the left [Bosnian] bank of the Drina River for the unification of all Serbs throughout the Serb ethnic area.

I hope that economic and telephone links between the FRY [Federal Republic of Yugoslavia] and the Srpska republic, which should not have been broken off in the first place, will soon be restored, president Karadzic said. He added that it is up to Serbia and Yugoslavia to decide on political and military relations.

Importance of Ozren, Doboj

LD2208192494 Sarajevo Radio Republike Srpske Program for Abroad in Serbo-Croatian 1730 GMT 22 Aug 94

[Text] A state delegation of the Srpska republic, comprising President Radovan Karadzic; Momcilo Krajisnik, president of the people's assembly; and Srpska republic ministers, made a working visit to Doboj today. After a meeting with the leaders of the Doboj and Ozren municipalities, Karadzic said that the political and security situation in the area is good. He stressed that Ozren and Doboj are of vital interest for the Srpska republic, which in fact reflects the choice of the Serb people of the area and the common interest of the people in the Srpska republic.

Views Attacks on Bosnian Serbs

LD2208195594 Sarajevo Radio Republike Srpske Program for Abroad in Serbo-Croatian 1730 GMT 22 Aug 94

[Excerpts] Radovan Karadzic, president of the Srpska republic, called on the international community in Banja Luka last night to offer honest maps, and to see for themselves that the Serbs were for peace. [passage omitted]

[Begin Karadzic recording] On behalf of the entire leadership, the general staff's military commanders, the supreme command, and all officers and soldiers, I can tell you that it has not crossed our minds to sign the plan, to betray you at the time when we gained our state.

The attacks against us coming from an unexpected side are aimed at finding a crack in the leadership, and at finding someone they could play on. They have not found a crack in our leadership. We are all united. Having failed to find a crack in the leadership, they are trying to create a crack between the leadership and the people. This is along the line: The people are good, the leadership is no good, the sanctions are aimed at the leadership and not against the people. But this is not true. I swear to God almighty here that we shall always do as you say and shall never betray you, neither you nor ourselves. Nobody—we or anybody else—has the right to deliver you into the hands of Alija Izetbegovic's state. [end recording]

Against Ceding 'Sovereign State'

AU2208201594 Belgrade BORBA in Serbo-Croatian 22 Aug 94 p 1

[Report by Milenko Maric: "We Cannot Be Left Without a State"]

[Text] Banja Luka—We understand the people who are suffering under the sanctions and who are paying for our freedom with their comfort, but we are paying for our struggle with our lives and our blood. Things are harder for us and that is why we need to decide whether to give

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up on our state or not. It has never happened in history that a people have created a state, only to give it up and go back to enslavement. This people, this generation of the Serbian people, will not do that.

This was stated by president of the Srpska republic Dr. Radovan Karadzic at a large rally held in Banja Luka last night [21 August]. Greeted enthusiastically by almost 25,000 inhabitants of the Krajina, Karadzic said that the Contact Group was comprised not of friends, but of foes of the Serbian people, and that the work of the group had been under the domination and dictate of the German and U.S. representatives, while the remaining members could neither oppose them nor comprehend the minimum of Serbian interests. This dictate, claimed Karadzic, had been accepted by many, but not by the Serbs across the Drina River.

"We are being asked to return to Bosnia-Herzegovina. We told them that if they did not want to go with us to Yugoslavia, we would not go with them to Bosnia-Herzegovina, and we do not accept this state," said Karadzic.

Earlier we were ready to accept some kind of union or confederation in the name of peace, continued Karadzic. Today we are wondering whether we need this? Is it more natural for us to live with the Muslims and the Croats, or with other Serbs? Karadzic asked and answered: "If the international diplomats tell us that this is more natural, then we shall accept it. But it is not more natural. That is why we need to consider whether we should accept any kind of union. We have a state, it is now independent and sovereign, and why should it not remain independent and sovereign until the moment when we unite with other Serbs."

We are told that we have not been given legitimacy by the Serbian people and that we would get it if we were to accept the Contact Group plan. We are told that our rating is not very high in the Krajina and Banja Luka, yet despite the lack of fuel so many of you have assembled here. We can tell our friends and our foes the following: We are offering peace tomorrow, a complete cessation of all hostilities, we are offering cooperation on the issue of borders, however, it must be clear that we cannot remain without a state, sovereignty, independence, and invaluable Serbian territories that enable us to remain in our state, said the president of the Srpska republic.

Dr. Karadzic, often interrupted by ovations, said that if the international community believes that we are for war, it should put us to the test, it should offer us an honest map, and we shall accept it immediately.

The attacks from an unexpected source are calculated to find a rift in our leadership and to find someone who can be manipulated. However, they were unable to find a rift in our leadership, we are united. When they did not find a rift among the leadership, they attempted to cause one between the leadership and the people, i.e. the people are good, the leadership is not. The sanctions are meant to hit the leadership, not the people. However, this is not true, Dr. Radovan Karadzic said.

Biljana Plavsic, vice president of the Srpska republic, said that the international Contact Group plan does not enable the realization of Serbian national interests, which are as follows: the survival of the Serbian people on territories where they were the majority population until World War II, the unification of all Serbs in the Balkans, the creation of a unitary Serbian state, and peace, as a condition for the development of the state and the progress of the Serbian people.

Assembly chairman Momcilo Krajisnik said that the Serbian people are struggling between the defense of their state and the acknowledgement that their struggle has been in vain.

If Serbia and Montenegro have disowned us, we shall not disown them. If they cannot endure the pressures and sanctions, we can, Krajisnik said and added that the Serbs cannot give up the Sana and Drina River valleys, Mt. Ozren, and Posavina.

Commenting on the attacks on the Srpska republic leadership, Momcilo Krajisnik stressed that "there is no measure in the mudslinging, the accusers are not choosing means," and that they are "passing judgment and withholding the right to defense." He concluded that the accusations were coming from the people who are not acquainted with the maps proposed by the Contact Group and who are not interested in the maps. The accusers are in this way disguising their intentions and their mistakes, Krajisnik stressed. In his opinion, the maps are the result of "a criminal plan of the mighty Western powers designed to realize the plans from the two world wars."

Their plan was to destroy Yugoslavia and they have succeeded in this. The next plan is to turn the Serbs against the Serbs, and they are currently working on it. The next plan will be the destruction of Serbia.... The realization of all this has been thwarted by the Serbs across the Drina River, who opposed the establishment of the new world order, said Krajisnik and added that the proportions—51 percent for the Muslim and Croatia, and 49 percent for the Serbs—were established without the agreement of the people and the Serbian leadership.

Krajisnik Pledges No Surrender of Serb State

LD2208191994 Sarajevo Radio Republike Srpske Program for Abroad in Serbo-Croatian 1730 GMT 22 Aug 94

[Text] Momcilo Krajisnik, president of the people's assembly of the Srpska republic, said at the Banja Luka rally of Serb unity last night that the Serb people were not given the choice between war and peace but between war and war. Irresponsible people holding important positions have put before our people a false dilemma and accused us, the leadership, of not wanting peace; they have already pronounced sentence on us, Krajisnik said,

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and asked whether the leadership of the Srpska republic is to blame for not wanting to breach the oath that it would protect the people's interests and for not wanting to abandon the Serb land.

According to him, the Serbs from this side of the Drina have incurred the anger of the creators of the new world order who cannot comprehend that the people in the Srpska republic do not want to accept the criminal plan offered by the Contact Group which is breaking apart the Serb people and Serbia.

[Begin Krajisnik recording] Gentlemen, you will have the referendum, you will vote, you will make the decision. No one can force you or exert influence on you to pass a decision you do not want. You will decide whether you can endure all pressures and threats and thus gain a state; or whether you will stop and turn back from the road which you chose.

I believe in you, and I know that you will continue on the road leading toward our state and our freedom. I can say that our goals are justified and realistic. We must endure; not so much because of ourselves, but because of the dead and because of all the future generations.

I cannot but give the following message to all our enemies, who are, unfortunately, nowadays more numerous than ever: We will not surrender our Serb state. We will not bow under any pressure. We will hold out because in our history we have endured much worse hardship than this. This country was created in blood, and we will defend it. We can tell them that we are ready for compromises and agreements, but not for capitulation. We inherited this country from our grandfathers, and we are dutybound to pass it on to our grandsons. This is why we have to protect it and pass it on to those coming after us. The Serb land is not for sale.

In conclusion, I would like to send a message both to our friends and our enemies. Even if perchance Serbia and Montenegro forsake us, we will not forsake them. [end recording]

First Federation Canton Holds Assembly Session

AU2208201894 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 22 Aug 94

[Report by Salih Brkic from Tuzla]

[Excerpt] The constituent session of the Assembly of the first canton in the Federation of Bosnia-Herzegovina opened with the deputies in the Tuzla-Podrinje Canton taking the formal oath. After working for five hours, the Assembly of the Tuzla-Podrinje Canton elected the most prominent officials. Izet Hadzic, former president of the Tuzla District, was elected first president of the canton. Mustafa Ramic was elected chairman of the assembly of the canton, and (Seada Baralic) its secretary.

Apart from the cantonal parliament deputies and numerous guests, ranging from the representatives of the Army and party leaders to representatives of religious communities, the first assembly of the Tuzla-Podrinje Canton was attended by a delegation of the Federation of Bosnia-Herzegovina that included Messers Mariofil Ljubic and Mustafa (Pamuk).

Addressing the participants of the meeting, Mariofil Ljubic, chairman of the Constitutional Assembly of the Federation of Bosnia-Herzegovina, said, among other things, that the establishment of the Tuzla-Podrinje Canton, as well as very good relations between Bosniaks and Croats in this region can be an example that can be followed by all other regions in the Federation and Republic of Bosnia-Herzegovina. This particularly applies to regions where unnecessary conflicts took place with grave consequences to members of both peoples. [passage omitted]

NATO Reportedly Supporting Muslim Offensive

LD2208190494 Sarajevo Radio Republike Srpske Program for Abroad in Serbo-Croatian 1730 GMT 22 Aug 94

[Text] Two Serb soldiers were wounded this morning in a Muslim attack from the direction of Zavidovici and Maglaj on Serb defense lines in the Borci and Straiste area, in the Ozren part of the Doboj front, Serb military sources have said.

The fighting is still under way. The Serb Army is resisting the attacks by the Muslims and is inflicting significant losses on them. The Muslim offensive in the area is accompanied by frequent flights of NATO planes. It is presumed that the planes are providing logistic support for the Muslim forces.

Herceg-Bosna Protests Behavior of UN Soldiers

LD2108172294 Mostar Croatian Radio Herzeg-Bosna in Serbo-Croatian 1600 GMT 21 Aug 94

[Text] An extraordinary statement of the political department of the Croat republic of Herceg-Bosna says:

For the third time in the last week, UNPROFOR [UN Protection Forces] members have caused an incident in the Vitez operational zone. First, several days ago, members of the Malaysian UNPROFOR battalion cut down and burned a cross at Rasce hill in Fojnica municipality, the cross that had been there from time immemorial, which the people believed protected their crops.

On another occasion, a member of the same battalion tried to kidnap a young girl. The latest incident took place about 1600 on 19 August in Kiseljak, between a group of soldiers from UNPROFOR's Danish battalion and a group of civilians. A group of about 30 soldiers from the Danish battalion, armed and in uniform, blockaded Kresevska Cesta, a part of Kiseljak, using five transport vehicles.

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Approximately 10 Danish soldiers beat up a civilian—who did not try resist—in a barbaric manner. The Danish UNPROFOR soldiers tied his arms and legs with wire, beat him up, and inflicted serious bodily harm to him. Upon the arrival of the civilian and military police, another 50 or so Danish soldiers turned up in several new transport vehicles. They kept pointing their weapons toward the gathered civilians. They even threatened Kiseljak priest Ivan Pervan, who was wearing clerical clothing, with firearms when he tried to save the bound civilian.

Since General Ante Roso, a member of the joint Muslim-Croat general staff, was also in Kiseljak at the time, a very strongly worded protest note was immediately sent to Gen. Rose. A meeting with UNPROFOR representatives was then held in Kiseljak, where UNPROFOR admitted to their mistakes and promised a public apology and to take measures to investigate the incident. According to high-ranking UNPROFOR officials, Major Servinsen, commander of the UNPROFOR Danish battalion, commanded the action during the incident.

Delic Protests UNPROFOR's 'Unequal' Conduct

AU2208163394 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1300 GMT 22 Aug 94

[Text] Army General Rasim Delic, head of the Staff of the Supreme Command of the Army of the Republic of Bosnia-Herzegovina, sent a protest message to Gen. Michael Rose, commander of the UN forces for Bosnia-Herzegovina, stating the following, among other things:

As you must know, for about 10 days already the Serbian aggressor has been intensely employing artillery pieces deployed within the exclusion zone on positions southeast of Visoko, along the Podlugovi-Mrakovo-(Nabozi)-(Prednje) line. All this has occurred within the exclusion zone and UNPROFOR has not been implementing the measures it is required to take according to the NATO ultimatum. On the other hand, every movement by the Army of Bosnia-Herzegovina outside the exclusion zone and within the aggressor's operations zone is closely followed and immediately reacted to by UNPROFOR.

The Serbian aggressor currently has 49 artillery pieces deployed within the exclusion zone, north of Sarajevo. The worst thing about all this is that UNPROFOR representatives employ unequal criteria and react differently to these events. I therefore harshly protest UNPROFOR's conduct and demand that the measures you are required to implement according to the 9 February 1994 NATO ultimatum be promptly implemented.

Serb Helicopter Overflights Reported in Maglaj

AU2308092794

[Editorial Report] Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian at 0800 GMT on 23 August carries within its regular 8-minute newscast four reports on the fighting in the republic.

From Maglaj correspondent Hajrudin Ceric reports from the Press Center of the Bosnia Operation Group that "the chetnik army attacked the free Maglaj territory all day yesterday, using howitzers of the highest caliber, mortars, tanks, antiaircraft machine guns, and recoilless guns, but the experienced fighters of the 201st brigade repelled the enemy attacks on three occasions and pushed the chetniks back to their original positions. They put twenty men out of action. In addition, one T-55 tank was damaged. The chetniks still did not have enough, and, covering the Bijela Ploca-Kojundzevac area with strong artillery and infantry fire, they tried to infiltrated a fairly large subversive-terrorist group, counting on the surprise factor. They failed and then carried out reprisals against the civilian population. They shelled the town and the Omerino Polje, [word indistinct], and Jalovac suburbs, firing more than 880 shells. Two persons were killed and 11 wounded. The material damage to residential buildings is substantial. That the chetniks are not giving up attacks, despite the futility of the past attacks, is confirmed by the movement of a fairly large number of trucks toward Bakotic and the overflights of helicopters shortly after 2200."

Gracanica correspondent Izudin Durakovic reports that despite the "relatively quiet day," the "treacherous" shelling by chetniks killed three and wounded two persons. Durakovic says that "intensive chetniks regrouping and constant movement by vehicles transporting men and hardware were also noted." Concluding his report, Durakovic says that "the fighters of the Gracanica II Operation Group are aware that the chetniks have definitely been crushed and that it is only a matter of days before they embark on a decisive battle for the liberation of the temporarily occupied territories."

From Brcko correspondent Hamiz Deronjic reports that "last night, the Serbian aggressor attacked the free territory of Brcko with all types of arms. The enemy's fierce attacks on the defense lines on the central part of the front and civilian targets in the rear started in the early evening. The enemy carried out comprehensive shelling, using tanks, 122-mm howitzers, B-1 guns, and mortars of all calibers. At 1850, they fired 12 missiles from a multiple rocket launcher from Cadjavac." Deronjic concludes by saying that the "aggressor continued attacks on the central part of the Brcko defense this morning, firing a self-propelled gun from the direction of Brdo."

In Sarajevo "one woman was wounded by an enemy sniper in Djemal Bijedic street" last night, according to the studio announcer citing the Information Service of the 1st Corps. "A mortar shell of 82 mm exploded in the Mala Kula in Grdonj. The chetniks fired grenades from Nedjarici on Dobrinja and Stup."

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Serbs Suffer 'Enormous Losses' at Teslic, Maglaj

AU2308094994 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 0900 GMT 23 Aug 94

[Report from the Press Center of the 3d Army Corps]

[Text] The chetniks are desperately attacking almost all fronts of the 3d Corps of the Army of the Republic of Bosnia-Herzegovina, but, unfortunately for them, are encountering the firm and impenetrable wall of the defenders of our country and its territories, who are inflicting on them heavy losses in manpower and hardware.

Yesterday morning and afternoon, the chetniks launched fierce attacks on two occasions in an attempt to capture positions on Husar. Both attempts failed. The chetniks withdrew having suffered enormous losses. The free Teslic territories were again impregnable for them. The chetniks used all available artillery and tanks in their attacks on the defense lines in order to enable the infantry to advance on Preliva. They fired more than 150 various artillery shells but their infantry nevertheless had to returned with unfinished tasks. Our fighters hit them back so hard that they will not dare launch a new attack for some time.

The legendary defenders of Maglaj, the fighters of the 201st Chivalrous Hill Brigade of Brcko, taught chetniks a lessons on the lines of separation near Maglaj yesterday. Repelling their attacks on the defense lines, the courageous men of the 201st Chivalrous Hill Brigade of Brcko, destroyed a T-34 tank, an antiaircraft machine gun, a hill gun, and an ammunition and food store. They destroyed or captured 18 chetnik trenches. One chetnik light mortar and several boxes of rifles and [word indistinct] grenades were also captured. They also liquidated 20 and wounded about 30 enemy soldiers. After this defeat, the chetniks brought new intervention units in an attempt to consolidate their lines.

The chetniks did not keep quiet in the Vozuca and Serit regions either. They fired infantry and antiaircraft weapons and mortars, but without consequences for our fighters and their defense positions.

Croatian Radio Acquires New Station

LD2108165294 Mostar Croatian Radio Herceg-Bosna in Serbo-Croatian 1600 GMT 21 Aug 94

[Summary] The information network of the Croat republic of Herceg-Bosna has acquired a new radio station: The local Usora radio station was launched in northern Bosnia today. Usora radio station will broadcast as part of the network of Croatian Radio of Herceg-Bosna, on 96.8 mHz.

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Refugees Arrive by Thousands in Serb-Held Area

Kostovic Comments

LD2308084994 Zagreb Radio Croatia Network in Serbo-Croatian 0800 GMT 23 Aug 94

[Text] Croatian Deputy Prime Minister Ivica Kostovic said that around 44,000 refugees from western Bosnia arrived in the occupied area of Croatia. He added that the Croatian Government was constantly in touch with the Government of Bosnia-Herzegovina and that details of a temporary plan for the refugees' stay in the UN protected areas of Croatia was discussed.

Deputy Prime Minister Kostovic said that refugees from Velika Kladusa must trust the Bosnia-Herzegovina Government and respond to calls by the Bosnia-Herzegovina Army granting the refugees their personal security and the security of their property.

Refugee Office Formed

LD2208170894 Belgrade TANJUG Domestic Service in Serbo-Croatian 1355 GMT 22 Aug 94

[Text] Knin, 22 Aug (TANJUG)—A central Krajina headquarters has been formed in Topusko to cope with the large-scale influx of refugees from western Bosnia to the territory of the republic of Serb Krajina [RSK]. The headquarters will be in charge of care for refugees and coordination with international organizations, Mila Trbulin, the republic's officer for refugees told a TANJUG reporter.

According to Turbulin, there are more than 30,000 refugees, and international organizations—apart from the Red Cross—have not provided any considerable aid, while the UN Protection Forces provided food only for the refugees in the village of Batnoga in Slunj municipality.

The problem of Muslim refugees and the possibility of giving them temporary accommodation will be one of the items on the agenda of a RSK government session which is under way.

Appeal For Foreign Aid

LD2208171594 Belgrade TANJUG Domestic Service in Serbo-Croatian 1332 GMT 22 Aug 94

[Text] Knin, 22 Aug (TANJUG)—The RSK foreign ministry sent a note to diplomatic and consular missions in Belgrade today, calling on their governments to protect around 45,000 Muslim refugees in the RSK territory fleeing from the terror campaign by Alija Izetbegovic's army.

"Taking into account that Alija Izetbegovic's army is in pursuit of the remaining Muslim population through forest and mountains, the RSK expects 15,000 more refugees, or as many of them as survive," the RSK Ministry of Foreign Affairs stressed, and said that the international community was witnessing an act of genocide against the part of the Muslim nation that did not want to wage war against the Serbs.

The note points out that Izetbegovic's crimes against his own people should not go unpunished. The same applies to Franjo Tudjman's decision to close the Croatian border, which contributed to the exodus of the peaceful Muslim population.

Therefore, the RSK foreign ministry asks all missions in Belgrade to convey facts to their government, to recommend urgent deliveries of humanitarian aid to the Muslim refugees in the RSK, and to condemn and punish the governments in Sarajevo and Zagreb for a crime, the proportion of which has yet to be determined.

Red Cross Appeal

LD2308100894 Belgrade TANJUG Domestic Service in Serbo-Croatian 0939 GMT 23 Aug 94

[Text] Belgrade, 23 Aug (TANJUG)—The RSK Red Cross sent an appeal today to the heads of the UNHCR and International Red Cross offices in Topusko asking for aid—food and medicine—for over 40,000 refugees from western Bosnia who are in the RSK.

ISKRA news agency reports of minimum amounts of humanitarian aid in Krajina Red Cross warehouses, insufficient for the needs of the Muslim refugees.

The Krajina Red Cross delivered 26 metric tons of food from its central warehouse yesterday and established good cooperation with the UNHCR office in Knin, which also sent a certain amount of aid to the municipality of Slunj yesterday where some of the refugees are, as well as a team to help its office in Topusko.

Serb Krajina Leader Comments on Kladusa Situation

LD2208164594 Belgrade TANJUG Domestic Service in Serbo-Croatian 1536 GMT 22 Aug 94

[Excerpt] Knin, 22 Aug (TANJUG)—Borisav Mikelic, prime minister of the republic of Serb Krajina [RSK], said in a statement for Knin Radio today that the fall of Kladusa and the arrival there of the Muslim army loyal to Alija Izetbegovic have considerably changed the security situation in that part of the RSK border.

He said that for this reason he has visited the border municipalities and had talks with the leaderships in Turanj, Vrgin Most, Vojnic, Krnjak, Glina, and Slunj. The aim was to examine the newly created situation with the municipal leaderships. The RSK military leadership has also discussed it, Mikelic noted.

Following the fall of Kladusa, a huge number of refugees set off toward Croatia across the RSK, but they were not allowed to enter Croatia, Mikelic said, adding that his assessment is that nearly 30,000 citizens of the autonomous province of western Bosnia are currently staying

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on RSK territory. According to him, a proposal was forwarded to the UNHCR to consider sending in humanitarian aid before a solution is found for the refugees to cross through Croatia to Austria and Germany, which were chosen by the refugees themselves as they have relatives there.

The situation is really tragic, Mikelic stressed. "We have received reports that Izetbegovic's—actually Dudakovic's—men have been looting houses. This may be one of the reasons why so many people have fled their homes. Around 150 people were wounded in a column, when fire was opened on it." [passage omitted]

RSK Army Says Croat Forces Violate Cease-Fire

LD2208192994 Belgrade TANJUG in English 1752 GMT 22 Aug 94

[Text] Belgrade, Aug. 22 (TANJUG)—Croatian forces have frequently violated a ceasefire agreement in Lika, the central part of the republic of Serb Krajina [RSK], the Krajina army headquarters said Monday.

The two parties signed the ceasefire agreement in Zagreb last March, as a result of talks brokered by Vitaliy Churkin of Russia and Charles Redman of the USA. Krajina and Croatia also agreed to put their heavy weapons under U.N. peacekeepers' control.

In the area controlled by the Serb Krajina Plascan Brigade, border troops do not fire back at the Croatians, because neither the line of defence nor their lives seem to be endangered, the Serb Krajina news agency ISKRA quoted the Krajina army sources as saying.

The republic of Serb Krajina was proclaimed by the Serbs in their ancestral territories after Croatia's unilateral secession from the former Yugoslavia.

Krajina was declared a zone under the U.N. protection at the beginning of 1992, because of the conflict between Serbs and Croatians.

Article Views Arrangements With IMF, New Loans

AU2308092194 Zagreb VJESNIK in Serbo-Croatian 13 Aug 94 p 9

[Article by Vesna Antonic: "The Sign for Foreign Capital To Set Out Toward Croatia"]

[Text] The concluding of the financial arrangements with the IMF, the letter of intent, and, later, the concluding of the stand-by arrangement, in fact represent support for the second stage of the stabilization program and an important economic and political event—economic because it opens the way for Croatia to the international financial institutions, the way to reprogramming our debts and regulating the relations with the creditors, which is an imperative for being involved in Europe; political because it incorporates Croatia into Europe.

This is what Prime Minister Nikica Valentic said at the recent government session about the talks with the IMF mission.

Readers should be reminded that the IMF mission headed by Eric Clifton visited Croatia in July and that all the technical work regarding the signing of the stand-by agreement between Croatia and the IMF was done during their stay. The mission returned to Washington with the draft letter of intent, and, as Clifton pointed out, certain additional formal and technical aspects of the contract are still to be elaborated on, after which the signing of the agreement should follow. According to the head of the IMF mission, the agreement will be on the desks of the IMF Executive Board members in mid-October and the approved funds can be withdrawn as early as the week following the signing. We should also remember the statement of Deputy Prime Minister Borislav Skegro that in drawing up the material there were no differences in the concepts of the Washington and Croatian experts.

What the IMF Is "Making" Us Do

According to the IMF regulations, the contents of the letter of intent that the mission returned to the United States with have not been published. However, it is known that it contains a summary of the second stage of the stabilization program in which it is stated what is yet to be done.

Be that as it may, Croatia, that is, the government, has set as its goal a great deal of the measures the IMF implied long before the IMF experts had arrived and started to implement them. It is therefore not surprising that the conditions the IMF sets are in fact a support to the government stabilization program. In other words, the IMF supports, as the Croatian prime minister said, the "policy of strict accounting—the budget will be held sacred, and only those who can cover their expenses with their revenue will be able to survive on the market." Dr. Pero Jurkovic, governor of the National Bank of Croatia, said that the program set in cooperation with the IMF contained nothing so restrictive that it should make us apprehensive, but that it would also make us change our behavior. He also pointed out that the restrictive monetary policy would be continued.

Minister of Finance Bozo Prka remarked that the IMF arrangements implied measures for controlling the consolidated deficit, that is, the total budget deficit, the deficit in the health and retirement insurance funds, and in public companies, the Croatian Roads, and the Croatian Water Resources Management. This deficit can be financed only with foreign loans and by no means through bank sources or central bank loans. There will also be no loans for the loss-making firms and the public sector, while the healthy bank assets must be allocated to the healthy part of the economy. Prka also announced that the value added taxes would be introduced, the proposal for which should be on the parliament desks by the end of the year, as should the budget law that, among

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other things, introduces the state treasury. Prime Minister Valentic also announced the passing of the law on bankruptcy.

Two Kinds of Loans

If the entire job is finished successfully and the agreement is concluded, Croatia will have the opportunity to use two kinds of loans, the sum of which will be $274 million, by the end of next year. The stand-by arrangement includes a third of the total funds. It is approved for a period of six years, starting in the third year. The second kind of loan is intended for the transformation of the Croatian economy into a market economy and includes the remaining two thirds of the approved funds. Their conditions are more favorable than those of the stand-by arrangement as they are approved for a period of seven years, starting in the fourth year. It should also be pointed out that the stand-by arrangement is based on the strict measures of economic policy and is controlled every three months. Two result assessments have been anticipated—in late February and late July next year—as has the possibility of modifications if there are any significant deviations.

The concluding of the arrangements with the IMF opens the possibility of new loans coming in, of negotiations with other foreign creditors, primarily the Paris Club, which at the same time facilitates the reprogramming of our debts and more borrowing; in other words, it is a signal to foreign capital to set out toward Croatia. As far as reprogramming our debt to the Paris Club is concerned, it should be pointed out that the negotiations with the state agencies that constitute the Club could be held in October and the negotiations with the London Club may be held in November.

Dissension Within Officer Corps Reported

94BA0373B Ljubljana DELO in Slovene 26 Jul 94 p 7

[Article by Kresimir Meler: "Dissension Among Officers"]

[Text] *A group of professional soldiers has demanded publication of the results of an investigation of a Croatian Army [HV] general who is also President Tudjman's favorite.*

From our associate.

In a hierarchical organization, the higher the level the greater the confusion, according to Dow's Law. That law, and also Johnson's addition to Heller's Law, according to which no one actually knows what is happening anywhere within an organization, do an excellent job of explaining current events in the Croatian Defense Ministry and the Croatian Army. The disputes between the professionals in the Croatian Army, who spent part of their careers in the former JNA [Yugoslav People's Army], and the generals who received their rank because of their party credentials, subsided for some time at the initiative of President Tudjman, but a few days ago that dissension was seriously aggravated again. There is now a danger that combat readiness will be substantially reduced in Croatia, at the same time that everything may push it into a war with Serbia. No one knows why, but President Tudjman is not intervening in this latest dispute, even though he should definitely do so.

The latest disputes started when a group of professional soldiers demanded the publication of the (top secret) results of an investigation that started back at the beginning of 1992. One of the principal figures in that investigation was a former innkeeper and now an HV general, and commander of the operational zone with the longest border facing Serbian positions. As it turned out in that investigation, "in December 1991, during an operation to liberate the area around the Zagreb-Lipovac highway, the 127th Brigade (or most of it), which was commanded by ..., during military actions withdrew without any reason and without orders to reserve positions, and then to the barracks at Virovitica. During questioning of lower-ranking officers, they stated that the withdrawal was ordered by the brigade commander. Fortunately, there was no attack from the north, which could have seriously threatened the entire free area. It was also determined that the general was not gathering professional soldiers around himself, but rather people he trusted and whom he could manipulate in his own way, and further more did not select his associates on the basis of their abilities, but rather their party membership."

A whole series of other irregularities was also mentioned in that report, including the fact that that general and a group of friends had confiscated cars (only expensive ones) from Serbs. They liquidated some of those Serbs, but others withdrew to Serbia or the occupied areas of Croatia. After he appropriated such a vehicle, the court, with the assistance of two witnesses, "irrefutably determined" that the "vehicles were paid for, but it was not possible to carry out a property transfer, since the previous owner had moved elsewhere or was a soldier in the enemy army." A whole series of other irregularities were also mentioned, but the general staff—in which professional soldiers are not in the majority, but rather extremely right-wing professional members of the HDZ [Croatian Democratic Community]—prohibited any further discussion and the "slandering of honest Croats," and threatened the initiators of that discussion with disciplinary measures and even discharge from the Croatian Army. That is actually not at all surprising.

The general we are talking about is a favorite of President Tudjman, and one of the chief authors of the plan for the military liberation of the occupied areas of Croatia. When Tudjman recently visited Osijek, that high-ranking officer stated that it was possible to "occupy Baranja again in a few days, and the same amount of time would also be needed to occupy Vukovar again." Admittedly, it is true that he is not proposing any specific plan (for the time being, only general plans exist), and likewise he has not submitted any estimate of

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the possible losses, as any general would have to do who cared about himself and thought about the safety of his soldiers. In spite of everything, it has paid off for him, since people at the Defense Ministry have already started to say that in the foreseeable future this officer will replace General Bobetko as chief of the General Staff.

That is still not all of the problems—quite the opposite. In the desire to destroy "the other side" as soon as possible, people are concealing from each other numerous facts, among other things even those that are extremely important for the security of Croatia and its population. They are all forgetting that that kind of cat's game with a mouse may destroy the one for whom it is all being done, literally. Specifically, we must not forget that parallel military intelligence services have also involved themselves in the game. They are now eavesdropping and are also collecting information on the other side, with which they could at least discredit it a little, especially if there were a military failure or defeat. Currently, at the Defense Ministry (which is in the ostentatious complex of buildings of the former headquarters of the Fifth Military District) and the General Staff (which, in contrast to the Ministry, lacks a strong armed guard and is also designated by a sign that not even well-to-do tradesmen would display), to which a passage leads through a completely destroyed entrance hall, a letter is circulating which says that it is necessary "immediately, by fair means or foul, to remove all capitulators who do not want to drive out the UN Protection Forces and use weapons to return the displaced persons to their age-old homes. We must no longer delay and negotiate unsuccessfully, and also not sell out Croatian interests, even if the state president himself agreed with it. The signers of the Zagreb agreement betrayed the Croatian people, and there is only one punishment for traitors. The volunteers and displaced persons are called upon to judge them for treason; they are the only ones who have the right to say and judge who is a traitor and who is working on behalf of Croatia. We must never allow anyone to think about trying Croatian heroes for war crimes, since whatever has happened in the battle for Croatia cannot be a crime. That must be clear to everyone. We will know how to prevent any such attempt and we will also prevent it."

The Defense Ministry has not responded to the reactions to this letter that came from the Croatian Army's General Staff and from some of President Tudjman's closest associates. There actually was a certain response, since the author of the protest letter has now been succeeded by Ivica Pasalic, who, because of his democratic behavior, is called affectionately behind his back Mr. Flick, after one of the characters in the popular TV series "Allo, Allo." At that time one more almost incredible thing was learned—no one in the Republic of Croatia knows who is responsible for security at military facilities and depots. It is even disputed who could issue an order to start any new military operation or order a mobilization.... Any order by General Bobetko could be countermanded by Minister Susak in an instant, and vice versa. We can imagine how that would work out in a dangerous situation. Last September, when Zagreb was attacked with surface-to-surface missiles and Samobor and Jastrebarsko by Orkans, the General Staff demanded a declaration of general danger, since there actually was a danger that several hundred people (if not thousands) would be killed. The Croatian Defense Ministry did not agree with this, and so the residents of northwestern Croatia, without knowing it, were left to the will of the army of the Republic of Serbian Krajina. A respite at the beginning of this year was obviously necessary in order to gather the strength and momentum to destroy the enemy. As we know, there was an explosion of the ammunition and explosives storage depot in Gluboki Jarek near Sesveti, and later at the Precko barracks in Zagreb and several other barracks elsewhere in Croatia. By coincidence, Zagreb and the other cities mostly remained whole. Will that also be the case if Croatia goes to war again? In a situation in which the HDZ hawks are appointing not experts, but rather political sympathizers as head of the Croatian Army, the possibilities that Croatia will preserve at least the present free areas are equal to the possibility that of jumping from the 20th story to the sidewalk and surviving.

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Further on 20 Aug Border Incident With Serbia

LD2208162294 Zagreb Radio Croatia Network in Serbo-Croatian 1500 GMT 22 Aug 94

[Text] Another incident has occurred on the border between Macedonia [The Former Yugoslav Republic of Macedonia] and Serbia. However, it has not been given any political importance so far. Marija Damjanovska has a report from Skopje:

[Unidentified correspondent] According to a statement issued by the Macedonian Defense Ministry, a group of around 15 civilians from Serbia involved in illegal trade tried to cross into Macedonia in the night between 19 and 20 August. When they were around 100 meters inside Macedonia, the group was warned by a Macedonian military patrol to stop. They split into three-men groups and began running toward the Serbian border. Automatic rifle fire was opened. Nebojsa Martinovic from Vranje, born in 1961, was wounded and later died in ambulance on the way to a military hospital in Skopje.

The Macedonian Ministry for Foreign Relations sent a note yesterday to the Ministry of Foreign Affairs of the Federal Republic of Yugoslavia, expressing regret over the incident and proposing the formation of a mixed commission to carry out an investigation on the spot.

There have been no reactions as yet from the Yugoslav Ministry of Foreign Affairs, and it has not given its consent to launching a joint investigation. The Belgrade mass media have not even published the Macedonian proposal to set up a joint interstate commission. Reactions are likely to follow soon, which may give the incident a political hue.

Crvenkovski Addresses Army on Nation's Identity

AU1908122994 Skopje MILS-NEWS in English 19 Aug 94

[Unattributed report: "Army—Pillar of Defence"]

[Text] Ceremonies on the occasion of the Macedonian [The Former Yugoslav Republic of Macedonia] Army Day continued yesterday. Macedonian Prime Minister Branko Crvenkovski addressed officers, soldiers, and diplomatic corps and peacekeeping troops representatives, at the barracks "Ilinden." Among other things, he said: "Non-civilized and unscrupulous pressures and attacks are continually imposed on Macedonia, interrupting the normal development of economic and political life here. To deny a country's right to its own name, flag, language, culture and other identity features is a matter belonging to past behaviour, creating difficulties. Yet, Macedonia is able to overcome them, since it has, does, and will exist.

"We have even been accused of having formed an army that allegedly endangers some of the neighbours' security and integrity. This is absurd and irrational, as this army was formed not as a regional force to endanger any one and not as an instrument of threats, but only as a segment of the Republic of Macedonia's constitutional order, with an aim to defend its own borders, territorial integrity and sovereignty.

"We have created an army in accordance to our own human and material potentials, abilities and needs. This is an army small in numbers, which we try to equip as good as possible in these hard times, so that it is capable of fulfilling its tasks determined by the constitution and the will of the Macedonian people and nationalities. It is our lasting determination to be included into European and world processes of collective defence, in order to preserve the peace in the Balkans. This is how the UN peacekeeping mission in Macedonia is to be understood. Under the present conditions in the Balkans and Europe, we welcome the UN preventive role here. Yet, this by no means disparages the importance of the Macedonian Army, which is and will be a pillar of the country's defense. You are an army which equally belongs to all Macedonian citizens, regardless of the national, religious or any other affiliation." Prime Minister Crvenkovski announced a military academy is to be opened shortly to provide training for active and reserve army officers, educated in accordance with its own programs and needs.

Finnish Troops in UNPROFOR Regular Rotation

LD2108125794 Belgrade TANJUG in English 1126 GMT 21 Aug 94

[Text] Skopje, Aug. 21 (TANJUG)—A total of 133 Finnish troops has been transferred to The Former Yugoslav Republic of Macedonia (FYROM) within the regular rotation of U.N. Protection Forces [UNPROFOR] units.

They will replace 133 Swedish and Finnish troops whose term of service has expired, it was said here on Sunday. The troops will be deployed at the headquarters of the Norwegian battalion and in Tetovo, in northeast FYROM near the borders with Albania and the Federal Republic of Yugoslavia. In the coming two months another 140 Finnish troops will replace Norwegian units in FYROM.

U.N. peacekeepers were deployed in FYROM early in 1993. The current 1,100 troops consist of roughly the equal number of troops from Scandinavian countries and the United States.

The Former Yugoslav Republic of Macedonia seceded from the former Yugoslav Federation after a referendum held in September 1991.

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Federal

Simic Meets With UN Civil Affairs Officials

LD2208154994 Belgrade TANJUG in English 1527 GMT 22 Aug 94

["Pool" item]

[Text] Belgrade, Aug. 22 (TANJUG)—Yugoslav Deputy Prime Minister Zeljko Simic said Monday that Yugoslavia would continue to support the United Nations' peace mission in the former Yugoslavia.

Simic made the statement in a meeting with chief of U.N. civil affairs section Sergio del Mello and the newly appointed U.N. civil affairs coordinator in Belgrade, Charles Qirkuja. The meeting focused on the mission of the U.N. Protection Forces [UNPROFOR] in the territory of former Yugoslavia.

Del Mello praised Yugoslavia for its highly cooperative and flexible attitude towards the UNPROFOR mission. Both parties agreed that UNPROFOR played an important role in preventing clashes that could turn into large-scale conflicts dangerous for the entire region.

Simic said that UNPROFOR should objectively and impartially inform the international community on the actual situation in the territory of the former Yugoslavia.

The Yugoslav Government will help UNPROFOR to the best of its ability in the quest for a lasting and peaceful settlement of the crisis in the former Yugoslavia, said Simic.

Avramovic's Program Enters Critical Phase

94BA0376B Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 18 Jul 94 pp 14-15

[Article by S.P.: "Economic Development: Critical Phase of the Program"]

[Text] A group of experts gathered around the Institute of Economic Sciences in Belgrade has tackled a serious and delicate job: to analyze economic developments and assess current economic policy on a monthly basis. The second issue of the publication MESECNE ANALIZE I PROGNOZE (MAP) has already been published early this month with its main formatted content. Thus, MAP begins with a survey of general trends in industrial production and an altogether new graphic design (IEN Signal). That is followed by an exhaustive survey of developments by sectors of economic activity and macroeconomic policy (industry, agriculture, foreign economic relations, wages and salaries, public expenditures, monetary developments, prices, cost of living, international economic developments, economic events in the former Yugoslav republics, and so forth). The third chapter is reserved for assessments of current economic developments and an indication of what they could bring in the short term and long term (development). The publication concludes with the topic of the month and two articles (one on econometric methodology and the other on statistics).

What is contained in the second issue of MAP? The assessment made along with IEN Signal from the first issue of MAP that there are no elements for the assertion that there has already been a turnaround in the growth rate of industrial production, but that there are serious possibilities of that turnaround occurring in coming months, is now nevertheless corrected, and it reads: The May figures on industrial output show that this growth is transient and is not based on a reversal of the trend. Stated most succinctly, the analysts say: The growth of production in the period that the Program has been in effect was brought about by the absence of hyperinflation and has already been virtually exhausted. That means that a further growth of production cannot be anticipated so long as the other three limiting factors are still operative: the sanctions, the diminished market, and the unfavorable economic structure.

Why is it worth paying attention to IEN Signal and the findings which it suggests? This is a new approach and a new monitoring of economic trends: Instead of presentation of the growth cycle we have had up to now, IEN Signal attempts to detect changes in the rate of growth and to find the turning point at which changes occur. In addition, Signal also indicates the intensity of pressure (positive percentages indicate the possibility of growth, negative percentages the possibility of a drop in the growth rate), and all this could be decisive to making timely moves in economic and business policy. To judge, then, by IEN Signal, our politicians, including even the governor of the central bank, have no reason to believe that the stability of the money and prices have already brought about the basic preconditions for growth of production. The situation is quite the reverse: Possibilities for augmenting production are already exhausted under the present circumstances, and for that reason a cautious economic policy, above all monetary policy, should be conducted.

In that regard, the analysts are trying to call attention to several essential elements which could threaten the Program, that is, the national currency, which is the backbone of stability at the moment. After all, as stated in the "Final Considerations," the Program—viewed from the angle of market conditions—has entered the critical phase. The essential point of departure for understanding things is the considerable disequilibrium of sectors that has already been created: on the one hand, a supply of wheat is expected that essentially exceeds the demand, while on the other the low purchasing power of the public does not allow demand to build for industrial goods of any sizable value. The analysts are cautious and say: The growth of production which was made possible by the disappearance of hyperinflation has probably come to an end. This means that the physical volume of production in 1994 will be less than in the previous year, and that in turn means a smaller social product (in spite

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of the good harvest). If that is so, then there is nothing with which to cover the sudden rise in salaries and pensions, nor for expansion of credit either. The analysts of MAP go on to warn that it is certain even now that the credits granted will not be repaid and that the pressure will grow to obtain new ones for financing social purposes (quasi-fiscal expenditure). In addition, the present level of old-age and disability benefits requires twice the funds envisaged, and all of this—together with salaries to provide social security for persons who are employed but have no work—results in high cost pressure through prices. The large wheat harvest could also prove to be a problem. There is a likelihood of the market price falling to the level of the support price. In that case, the state has an obligation to buy it all, but it has neither the money nor the storage space to do so. That is why the suggestion made here is to make it possible for all those who can to export wheat and collect for it.

Even now, just as in the summer of 1990, public expenditure and wages and salaries are exerting strong pressure on monetary policy, and the upshot could come in September, taking the form of a return of inflation. How is that to be avoided? By the National Bank intervening on the foreign exchange market in its transactions with the public. After all, the most important thing which can be recommended now is that the credibility of the Program and convertibility need to be preserved (at any price). That is why it is indispensable, according to the further recommendations of MAP: a) to abandon illusions of the possibility of economic growth so long as the sanctions last, b) to carry out further fiscal adaptation (reduction of expenditure and redistribution of revenues), and c) to begin to move social welfare policy out of the business enterprise by transferring about 350,000 workers to state support.

They also point to the possible dangers which could come, especially in the long run (development), from announcements of the two governments (the federal and the Serbian) that they will undertake to tighten the regime for imports of consumer goods. This could also be a mistake from the standpoint of commodity-money relations (since the Program began to be applied, the funds of the public have grown much faster than domestic production), but a still bigger mistake is possible with respect to the future. Here, the disagreement between professional economists and the authorities is altogether obvious. After all, the authorities say: We will make it possible for the public to choose when the conditions come about for that, but the professionals know that it is not a question of being able to choose between domestic and imported goods, but of the impact of imported goods on competition and development, on the efficiency of investments, and on export capability. Liberalized foreign trade is in that respect a conditio sine qua non.

Finally, we also pass on from MAP No. 2 a key message from the topic of the month, which is entitled "The Need for Interest Rate Policy To Have a More Active Role in the Operational Conduct of Monetary Policy." The author, Djordje Djukic (the topic of the month, incidentally, is the only signed article), after examining the course of monetary policy up to now, proposes: "In order to reduce the pressure of the demand for foreign exchange (...) higher interest rates have to be used to activate rehabilitation of personal savings in banks and to invigorate the purchase of securities by enterprises, banks, and individuals."

Avramovic Predicts Economic Recovery

AU2308103594 Belgrade POLITIKA in Serbo-Croatian 17 Aug 94 pp 1,9

[Report by Radojka Nikolic on interview with Dragoslav Avramovic, governor of the National Bank of Yugoslavia; place and date not given: "Redemption Greater Than Sale of Hard Currencies"]

[Text] After two weeks of vacation in Switzerland, Dragoslav Avramovic, governor of the National Bank of Yugoslavia [NBY], returned to his office early this week. In our conversation, we were told that the banks have reported a positive balance in transactions involving the redemption and sale of hard currencies, that efforts are being expeditiously made to improve the liquidity of banks and the economy, whereas the citizens will have the opportunity of taking consumer loans with an extended payment deadline, starting September. Undoubtedly, the governor was quite pleasantly surprised at the data showing a positive balance after the introduction of records that are kept on citizens who buy hard currencies in banks. At the beginning of the conversation he said:

"I demanded twice that the figure be checked. Now I am sure that it is correct. From 18 July until 15 August, we have accomplished a net hard currency inflow amounting to 460,000 German marks [DM] through the purchase and sale of hard currencies in banks. That is, in that period, after the introduction of records on buyers, the banks redeemed DM11.043 million from citizens, and sold DM10.582 million. This net hard currency inflow that we accomplished is certainly symbolic, but this is the first time that the balance has shown that more hard currency poured into the banks, rather than out. Besides, as I have been informed, the most frequent reason stated by citizens for their purchases of hard currencies is a vacation in Greece. It may be so. For us, the most important thing is that the redemption of hard currencies is greater than their sale, and that, as has already been noticed at banks' counters, we no longer see those familiar faces, always the same people, who are suspected of being involved in the hard currency black market."

Since he mentioned the hard currency black market, we informed the governor that, according to reliable "street" information, the dinar commission that those few remaining street dealers demand for German marks has decreased since the middle of last week. While the

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German mark was being sold for 1.10 to 1.20 dinars before, these days the rate is lower—varying from 1.05 to 1.10 dinars for DM1. Dealers say that the interest in buying German marks has abated.

For Avramovic, who has reconstructed the monetary system, and stabilized the domestic currency, no other news can be better than this, that the black market is gradually withering.

"Of course I am happy that this is happening. This trend shows that the black market exchange rate is only a passing occurrence, that it happens and disappears again. The dinar is steady and monetary trends are under control, which is shown by steady prices and profitless street dealers," Avramovic said.

However, while the information on the stability of dinar is quite bright, the scarcity of the domestic currency is posing many problems for the banks and firms. Businessmen are complaining more and more frequently about decreased liquidity, the overdue payment of debts, and the occasional insolvency of banks, while all this is happening at the time when the successful conclusion of many business arrangements depends precisely on expeditious payment. Therefore we asked Governor Avramovic if there is a hope that the liquidity of banks and firms might improve soon.

"The measures that the NBY has applied in recent weeks are designed precisely to remedy insolvency. It may be a problem that it is the NBY that is dealing with economy and production in that way, so we shall have to do it very carefully. However, there is enough room for releasing new means and investing them in the economy, just because the deficit-generating financing of the federal budget has been done away with. Therefore we shall maximize efforts to supply the economy with more money in order to encourage a more dynamic development. Even now, given financial aid, there are the conditions for the additional 30 to 40 percent of industrial capacities to be employed," Avramovic maintained.

Underlining that a more serious investment development is to be undertaken as early as in the autumn, Avramovic emphasized that entire investment packages will be worked out for the electric supply industry, the railroads, and telecommunications. He said that their profitability will be assessed and an offer will be made to foreign investors. If somebody wants to take part in financing them, having assessed that a profit could be made, he will get the job.

However, very pleasant news for the majority of citizens is that they will be able to take consumer's loans as early as in 15 days time. Avramovic said:

"In September, consumer's loans for citizens should be launched, with an extended payment deadline. Their standard of living has certainly improved in the last half a year, but it is still not as high as to enable them to buy permanent consumer goods. For that reason we have to launch consumer's loans. The NBY will support the project as much as possible. The number of workers with low wages is great, which is our second problem. Now, for instance, you have an absurd situation: Seaside resorts are crowded with people who have a lot of money, whereas on the other hand there are people who still receive 100 dinar salaries. It is necessary to raise their salaries because our program will not survive if salaries remain that low. If there is no possibility for those salaries to be raised right now, when production costs are so low, then when will it be possible to raise them?" Governor Avramovic wondered.

Avramovic is not hiding his satisfaction that, after his two weeks of absence from Belgrade, the prices in Belgrade are still the same, the market is abundantly supplied with goods at reasonable prices, while Kalemegdan [area of Belgrade] is crowded with promenaders who approach and greet him. The day before yesterday, a pleasant statistical surprise awaited him on his desk: The retail price index dropped below 100 last week—it was 99.8 percent, which means that prices are still falling. For that reason, Avramovic said in conclusion to our conversation that he is optimistic, and that a more dynamic recovery of the economy and the standard of living is yet to come.

Article Views SFRY's National Debt

AU2208203294 Belgrade BORBA in Serbo-Croatian 18 Aug 94 p 15

[Article by Ljubisa Popovic: "Serbia Is Confusing Stock Exchanges"]

[Text] Only economic laymen saw the recent liquidation of Ljubljanska Banka and Mariborska Banka in Slovenia as a simple act of closing down two unsuccessful firms. The liquidation of these two financial institutions is not only a concern of the independent and sovereign state of Slovenia and its economy, but it largely shows that the armed phase of the war in the former SFRY [Socialist Federal Republic of Yugoslavia] is nearing its end, and what will follow is a squaring of accounts, without which there will be no lasting stability in the region, no matter how long-lasting, and even laborious for all the former members of the SFRY this process might be.

Beside the fact that the liquidation of Ljubljanska Banka has dispersed the last residual illusions among many prewar depositors in other regions, particularly in Croatia, by this announcement Slovenia has tried to get rid of a part of the burden called the national debt. The outstanding debts of these two Slovene banks to foreign creditors, amounting to around $1.2 billion, should be apportioned evenly among the former federal units of the SFRY, following the principle of successors' responsibility. In the terminology of banking, successors' responsibility denotes a sort of guarantees that are given in accordance with the principle "all for all" when a credit line in international banking transactions is approved.

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Panic's Plan

Whether Slovenia will manage to rid itself of a part of the debt to the charge of its former brotherly republics, or not, is assessed differently by financial experts. In addition to more and more frequent announcements that the war might ease off, hidden from the public eye there is a battle unfolding among the former federal units, now internationally recognized states, that is neither easy nor insignificant. The ultimate goal is to get rid of as much of the burden of former Yugoslavia's national debt as possible. The methods of fighting are various, while the outcome is incalculable.

Those who have a good memory may well recall that the national debt of the SFRY on the eve of the civil war added up to $17 billion. At the same time, the measures taken by Ante Markovic's government provided as much as $9 billion of foreign assets in reserve at a certain stage. Even before most of the citizens of former Yugoslavia could even imagine that the country would disintegrate, bringing along all kinds of horrors, certain federal units started a subtle game regarding the national debt.

Slovenia was at the head in this game as well. On the so-called secondary market of foreign debts, the Yugoslav national debt at the time was valued at 55 percent. For the sake of better understanding: The secondary market of debts is a market on which a creditor sells his outstanding debts to somebody else. The price, just like on any market, depends on supply and demand, but in this case it depends most on the estimated degree of probability that a debt will eventually be paid off.

In spring 1990, the then vice governor of the National Bank of Yugoslavia, Boris Kon, had to admit to BORBA's journalist that Ljubljanska Banka had begun to redeem other Yugoslav debtors' foreign debts, which caused the value of the national debt to jump to more than 62 percent. After which other Yugoslav banks, such as Jugobanka in Belgrade, Privredna Banka in Zagreb, and so forth, followed the Slovene example, which considerably harmed the entire economy of the country.

With Milan Panic's appointment as head of the rump Yugoslavia's first government, the question of the national debt was raised again. Then Panic announced that he intended to redeem the entire national debt of former Yugoslavia. A clever political-economic strategy hid behind this seemingly naive business attitude. The total debt with foreign banks and international banking institutions could have been redeemed at between $3 billion and $4 billion—of course, provided that a skillful and coordinated action be carried out by stockbrokers on the international stock exchanges, which would not have posed any great problem for Panic. The goal was quite simple: To redeem the foreign debts of all the former members of the Yugoslav federation, and to draw it as the strongest card when it inevitably came to the partition balance. In that case, Slovenia nominally owes $4.5 billion, but to the FRY [Federal Republic of Yugoslavia], although the FRY redeemed the debt at only 20 percent of the nominal value.

Fear for Hard Currencies

Panic's descent from the political stage also pushed this issue to the back seat. Whether he succeeded in his intentions, and if so, to what extent, remains unknown, but it is more than certain that Slobodan Milosevic, being an experienced banker himself, installed him as the head of the government precisely for those and similar reasons.

Information on what happened to the considerable hard currency reserves that had been accumulated during Markovic's mandate, shortly before the civil war broke out, also remains shrouded in mystery. BORBA's reliable sources maintain that Serbia took the lion's share of the foreign assets. It became famous for having broken into the payment system of its own federal state at the time. According to these sources, hard currency reserves were taken out of the country, and right now, through various forms, they are serving their purpose quite well, which is one of the explanations for the perseverance of Serbia and Montenegro under the burden of the sanctions.

That something is again happening with the former SFRY's national debt is visible these days on world stock exchanges. The price has risen from 22 percent to more than 30 percent in relation to its nominal value. BORBA's sources say that the increased value is a consequence of demand coming from the former SFRY, particularly from the part that aspires to become its successor in the international community.

Who owes how much and to whom will be known only when the war definitely comes to an end, after which a commission for the partition balance will be given the leading role. The question of the redemption of the foreign debt and the fate of the former hard currency reserves explain to a considerable degree why Milosevic changed sides overnight, siding with the peacemakers. Because, let us not forget, given the choice between the carrot and the stick, the latter presupposed the blockage of all financial transactions between the FRY and its representatives in the world. Milosevic, being a good banker himself, was not in a dilemma for a single minute.

Problems Caused by Wheat Surplus

94BA0376C Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 18 Jul 94 p 16

[Article by V. Stevanovic: "The Wheat Is Chasing Customers"]

[Text] Up through 11 July, this year's wheat crop had been harvested on 616,000 hectares (68 percent of the total area) with good quality and with the forecast average yield of 3.85 metric tons per hectare. As was expected, better yields were obtained on the socialized farms than in the private sector, in terms of the average tons per hectare. By and large, there was no problem with fuel, although the price paid was twice the parity the

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state established in the bartering of wheat for diesel fuel (instead of 7 kg for a liter of diesel fuel, 15 kg were paid).

"If we should thank anyone for the relatively successful course of the harvest to date, then we owe gratitude above all to the farmers and to nature. They have done their job, which cannot be said of others." These words of Dr. Milutin Cirovic, chairman of the newly formed Council for Coordination of Agricultural Affairs of the Economic Chamber of Yugoslavia, best illustrate the situation with this year's wheat harvest. In the middle of the harvest, cash payments for purchases have not yet begun, no one knows who is going to buy this year's marketed surpluses, nor does anyone know the price at which wheat will be bought and sold. The support price of 18 para per kilogram for first-grade wheat does not appear that it will be very essential, because the state, although it assumed the obligation of buying all marketed surpluses at this price, obviously did not have the money to do it. For the present, the only one of the various versions for bartering that is working seems to be the trading of wheat for diesel fuel (so far, the Serbian Directorate for Commodity Reserves has purchased 85,000 tons of wheat in this way), but the trading of wheat for fertilizer and seed wheat has been very spotty. The reason for this is that grain-milling organizations and fertilizer producers were designated for these transactions by decree of the Serbian government, and they are [not] interested in this year's wheat crop, at least not at the parity set by the state.

What might have been suspected even before the harvest began is now quite certain: It will be hard to find customers for this year's marketable surpluses. According to the estimates presented at the meeting in the Economic Chamber of Yugoslavia, there will be enough wheat for the next two and a half years. At least a million tons will have to be exported, but the trouble is that the export price is extremely low, nor is it simple to conduct that transaction under the conditions of the blockade. Both the federal and republic governments were referred to in harsh tones for having "concealed" the fact that about 700,000 tons have remained in inventories from last year, so that now they do not know where to put this year's harvest. Another adverse circumstance for farmers is that last year's wheat is being sold on the free market below 15 para per kilogram, and even then there is no great interest in it because of the very slim liquidity of potential customers: The grain-milling organizations have no working capital of their own, and the illiquidity of commercial banking is a commonplace and a burning problem of the domestic economy. The meeting in the Economic Chamber of Yugoslavia was not attended by representatives of the National Bank of Yugoslavia, although they are members of the council, so that it was not possible to hear what, if anything, the central bank is preparing. The measures taken to date by the National Bank of Yugoslavia are judged to have failed, if that is any consolation to the peasants and others who have produced the wheat.

Perhaps it is because of all that that the area to which wheat has been planted is again a topic, accompanied by the assessment that the planting for next year should be planned more cautiously. It seems that an area of 900,000 hectares planted to wheat, the amount planted last year, is too great to meet the needs of a smaller Yugoslavia. It is now being realized at this late date that it would have been more expedient to plant larger areas to fodder crops and corn, because livestock feed is better than the wheat which the hogs will eat this year whether the Serbian government allows that by its decree or not.

Regardless of public commitments and plans, the troubles which the peasants will quite certainly have in selling the wheat will probably make them think over quite carefully what and how much to plant in the fall. It would, of course, be better if those business decisions were not affected by outrageous situations with purchasing, but by a well-thought-out agricultural policy, which in practice we do not have. And as matters stand now, it seems that we will have to wait some more before we see it.

Serbia

Akashi Arrives for Talks With Milosevic

LD2208115894 Belgrade TANJUG Domestic Service in Serbo-Croatian 1120 GMT 22 Aug 94

[Text] Belgrade, 22 Aug (TANJUG)—Yasushi Akashi, UN secretary general's special envoy, arrived in Belgrade shortly before 1300 today. He left the airport for talks with Serbian President Slobodan Milosevic.

In a brief statement at the airport, Akashi said that the main aim of his visit to Belgrade is to exchange with the Serbian president views on the situation in Bosnia-Herzegovina, which, he said, was very critical.

Akashi recalled that at the end of last week he held talks with Radovan Karadzic, leader of the Bosnian Serbs, Croatian President Tudjman, and yesterday with the U.S. president's envoy Charles Redman, who had visited Sarajevo before the talks.

Border Controls To Be Discussed

LD2208131894 Belgrade TANJUG Domestic Service in Serbo-Croatian 1236 GMT 22 Aug 94

[Excerpts] Belgrade, 22 August (TANJUG)—Yasushi Akashi, special envoy of the UN secretary general, arrived in Belgrade shortly before 1300 today. [passage omitted]

"It will be very useful for us to exchange opinions and confirm President Milosevic's role in easing the tensions at the moment," Akashi said.

Asked if he will discuss with Milosevic the control of the border with the Srpska republic, Akashi said: "I believe that control of the border will be one of the issues we will

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discuss." He added that they would also discuss the Contact Group's peace plan.

Akashi also said that he had a meeting in Zagreb yesterday with Charles Redman, U.S. special envoy for the former Bosnia-Herzegovina, who had visited Sarajevo before the talks, and that he would convoy "Redman's views" to President Milosevic.

Asked about the possibility of lifting the sanctions against Yugoslavia, Akashi said that he could not go into details, but that "all options are being considered."

Journalists were interested in the situation in the Cazin Krajina. The UN special envoy confirmed that the Bihac region was under the full control of the Fifth Corps, loyal to Muslim leader Alija Izetbegovic. Akashi said that Fikret Abdic, to whom the Muslims in the Cazin Krajina pledge their loyalty, "is no longer there."

"Is Abdic alive?" journalists asked. "Yes, both he and his family are alive," Akashi said, but declined to confirm or deny the rumors that Abdic has sought shelter in Serb territory.

Peace Efforts Discussed

LD2208160494 Belgrade TANJUG Domestic Service in Serbo-Croatian 1535 GMT 22 Aug 94

[Text] Belgrade, 22 Aug (TANJUG)—Slobodan Milosevic, president of the Republic of Serbia, today received Yasushi Akashi, the UN secretary general's special envoy for the former Yugoslavia. Sergio de Mello, head of the UN Protection Forces' [UNPROFOR] sector for civilian affairs, also attended the talks.

According to a statement issued by the Serbian president's office, they exchanged views on the most topical aspects of the Yugoslav crisis, in particular those related to the efforts to reach peace in the Yugoslav area.

It was jointly concluded that there is no alternative to a just and lasting peace in the whole of the former Yugoslavia and that it is vitally important to continue the current negotiating process. It was stressed that to this end it is necessary to strictly adhere to the truce agreement in the former Bosnia-Herzegovina. In this context it was stressed that the offensive military actions by the Muslim side present a great danger on the ground for the peace process and the prospects of peace.

At a time when the Federal Republic of Yugoslavia [FRY] is consistently pursuing its policy directed at establishing peace, any efforts aimed at exerting pressure on the FRY do not contribute to the positive development of the peace process. International factors that are truly interested in a just and lasting peace and stability in the region should distance themselves from such efforts.

Yasushi Akashi raised the issue of foreign observers. Noting that Yugoslavia defines and implements its policy alone, President Milosevic stressed that the presence of foreign observers would not be in line with our country's sovereignty.

President Milosevic and special envoy Akashi gave support to the negotiating process between the representatives of Knin and Zagreb.

The talks were also attended by Federal Foreign Minister Vladislav Jovanovic.

Easing Sanctions Discussed

LD2208173894 Belgrade TANJUG Domestic Service in Serbo-Croatian 1628 GMT 22 Aug 94

[Text] Belgrade, 22 August (TANJUG)—Yasushi Akashi, special UN secretary generals's envoy for the former Yugoslavia, has said the easing of the sanctions against Yugoslavia is possible under certain conditions and that he discussed these conditions with the Serbian President Slobodan Milosevic today.

Akashi did not specify the conditions, but said he had discussed with Milosevic the proposal to deploy observers on the Drini River, the border between Serbia and the Srpska republic.

"Nobody is proposing the deployment of UN troops," Akashi said but refused to give any more details on the proposal to deploy civilian observers. "President Milosevic reiterated the known stance on this," he said "and we shall study it carefully."

Around 10 days ago, in talks with the cochairman of the conference on the former Yugoslavia, Thorvald Stoltenberg, Milosevic refused to accept the proposal on the deployment of UN observers along the Drina River.

Akashi said that during the three-hour talks they had discussed the current situation in the former Bosnia-Herzegovina, Croatia, and the UN protected areas, and that for him personally the exchange of views was useful.

"As President Milosevic said, we are at a very important crossroads, the crossroads which could lead us to peace or to even fiercer fighting. I am deeply concerned about the possibility of the situation worsening," Akashi said. "This is why I am hoping that with President Milosevic's help we will choose the road to peace. We must not address this issue in an emotional way, but bearing in mind the lasting happiness and welfare of all the nations concerned."

According to Akashi, President Milosevic has confirmed his resolve to continue the blockade against the Bosnian Serbs.

Asked whether any progress had been reached in talks today Akashi replied: "To be honest, I have not yet noticed clear indications which would definitely lead us to peace, but that is not the reason to give up. We have to identify the issues of common interest."

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Asked whether there was a chance that the contact group maps could be corrected, Akashi recalled that the Contact Group demanded the acceptance of the maps as they were and that they were a starting point for future talks. The maps, he explained, "can be changed on the basis of consent by the warring sides."

Akashi said that it was not yet known what would happen after the 27 and 28 August referendum if the people of the Srpska republic rejected the maps of territorial settlement.

"It seems that Karadzic expects another firm 'No' from the people voting in the referendum. But, we have a few more days.... I am sure that he and his colleagues in Pale are seriously considering the consequences."

Asked whether he would hold talks with Karadzic after the talks with Milosevic, Akashi said that he was not planning to do that at the moment, but added that he was "ready to hold talks with Karadzic again as needed".

He added that it was not ruled out that he would meet the regional leaders again. "I will be available at all times in the interest of peace. We in UNPROFOR [UN Protection Forces] will continue working diligently," Akashi explained.

Asked by a Belgrade journalists whether, if he was a Serb, he would accept the map, Akashi said: "I am a Japanese and I cannot give you my opinion. But, I have my own precise and clear opinion about that. But, if I give you an honest answer, that could affect my position of an independent UN mediator. Please, allow me to refrain from giving you my opinion."

New Radio Station Functioning in Belgrade

AU2108181894 Belgrade BORBA in Serbo-Croatian 19 Aug 94 p 28

[TIKER-attributed report: "Radio S—Education"]

[Text] Belgrade—TIKER has found out from Spomenka Jovic, editor in chief of Radio S, that the founder of this new radio station in Belgrade is the Genes S company, led by Zoran Andjelkovic, deputy of the Socialist Party of Serbia in the Serbian Assembly.

It is located on the 21st floor of the Usce Palace in New Belgrade. Radio S started broadcasting music yesterday on the frequency 104.7 mHz, but it will start broadcasting its full program in a month's time. Spomenka Jovic says that the entire legal procedure concerning the frequency was completed some time ago.

According to her, Radio S will be an urbane and educational radio station that will pursue the promotion of cultural values. The information program will have newscasts every hour, as well as service bulletins, the editor in chief of Radio S says.

WCC Condemns Serbian Orthodox Church

AU1908203594 Belgrade RTB Television Network in Serbo-Croatian 1730 GMT 19 Aug 94

[Text] The World Council of Churches [WCC]—which has so far avoided criticizing the Serbian Orthodox Church—is now distancing itself from the support that the latter is giving to the Bosnian Serbs and their rejection of the peace plan for Bosnia.

Western churches are being increasingly vociferous in demanding that the World Council of Churches undertake measures against the brotherly church. (Ros Kope), bishop in charge of foreign affairs in the German Evangelist Church, has sent an unusually harshly worded letter to Patriarch Pavle, criticizing the Serbian Church for justifying war and crimes. It has still not been decided what the German Evangelical Church might do next and whether it will demand that the Serbian Orthodox Church be ejected from the World Council of Churches.

Kosovo

SSJ Condemns Attack by Albanian Separatists

LD2208143194 Belgrade TANJUG Domestic Service in Serbo-Croatian 1211 GMT 22 Aug 94

[Text] Pristina 22 Aug (TANJUG)—The regional committee of the Party of Serbian Unity [SSJ] for Kosovo-Metohija today condemned an attack carried out by Albanian extremists against a group of SSJ members in Djakovica.

The attack was carried out on Saturday evening [20 August] when, according to a statement issued by the SSJ, several hundred Albanian separatists attacked and injured four Serb members of the SSJ, using sticks, chains, and brass knuckles.

According to the regional committee of the SSJ, this attack represents an act of retribution against the few Serbs living in the Djakovo municipality and it is aimed at provoking tension and disturbances in the area.

Attempts by the separatist Balist movement to bring back the ghosts of the past in the current political circumstances facing the Serb nation and the Serb lands are only part of the scenario by Ibrahim Rugova and his terrorist party aimed at the ethnic cleansing of Kosovo and its subsequent separation from its parent country of Serbia, the statement says.

The regional committee of the SSJ also lodged a protest with the police station in Djakovica because of the indolent behavior of its police patrol, which did nothing to prevent the attack and protect the four young men from the frenzied crowd of Albanian separatists.

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